Supreme Court, U. S.
FILED
JUN 28 1979
MICHAEL RODAK, JR., CLERK

APPENDIX

IN THE

Supreme Court of the United States

OCTOBER TERM, 1979

No. 78-1201

MOBIL OIL CORPORATION,

Appellant,

—v.—

COMMISSIONER OF TAXES OF VERMONT,

Appellee.

ON APPEAL FROM THE SUPREME COURT OF VERMONT

FILED FEBRUARY 2, 1979
PROBABLE JURISDICTION NOTED MAY 14, 1979

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The following opinions, decisions, judgments, and orders have been omitted in printing this appendix because they appear on the following pages in the appendix to the printed Jurisdictional Statement:

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Chronological List of Relevant Docket Entries

WASHINGTON SUPERIOR COURT

WASHINGTON COUNTY, STATE OF VERMONT

Docket No. C 13-74 Wnm

MOBIL OIL CORPORATION

vs.

COMMISSIONER OF TAXES

DATE	PROCEEDINGS
5–20–74	Appellant Mobil Oil Corporation's Notice of Appeal from determination by Commissioner of Taxes filed.
6–27–74	Record of Tax Department filed.
3– 5–75	Stipulation for continuance until Fall Term 1975 filed.
6– 9–75	Brief for Appellant filed.
8– 4–75	Brief for Appellee Commissioner of Taxes filed.
9–19–75	Reply brief for Appellant filed.
1– 7–77	Order in favor of Appellant filed.
1–31–77	Amended Order signed by Morrissey, J.

Chronological List of Relevant Docket Entries

DATE	PROCEEDINGS
6– 8–77	Stipulation for Final Order filed.
6–10–77	Final Order in favor of Appellant filed.
6–14–77	Notice of Appeal filed; cause certified to Vermont Supreme Court.
11–10–78	Vermont Supreme Court Entry Order of November 9, 1978 reversing decree of Superior Court filed.
1–19–79	Notice of Appeal to the Supreme Court of the United States filed.

Transcript of Hearing Held November 8, 1973
Before Commissioner of Taxes

[Record of Tax Department—Item 10 Reprinted in Supplemental Printed Case pp. 1-29]

WASHINGTON SUPERIOR COURT

WASHINGTON COUNTY, STATE OF VERMONT

Docket No. C 13-74 Wnm

[TITLE OMITTED IN PRINTING]

STATE OF VERMONT

DEPARTMENT OF TAXES

BEFORE COMMISSIONER OF TAXES

Mobil Oil Corporation
Income Taxes, 1970, 1971, 1972
Hearing on Protest

November 8, 1973
10:00 AM.

Lathrop: This is a hearing on an appeal by Mobil Oil Corporation, taken pursuant to 32 V.S.A. § 5883, which is the section under which appeals to assessments are taken, and 32 V.S.A. § 5833(b), which is the section under which corporate income taxpayers can petition for modification of the 3-factor apportionment formula. The date is November 8, 1973, the time is shortly after 10:00 in the a.m. For the record, let's introduce ourselves around the table beginning on my right and work around this way.

Pfalzer. Otto J. Pfalzer, Senior Tax Advisor, Mobil Oil Corporation.

Hellerstein: Jerome Hellerstein, Outside Tax Counsel for Mobil Oil Corporation.

Evans: John Dwight Evans, Tax Counsel, Mobil Oil Corporation.

Lathrop: Robert Lathrop, Commissioner of Taxes.

Kendall: James Kendall, Director of Audits Vermont Dept. of Taxes.

Goldkamp: Ed Goldkamp, Deputy Commissioner of Taxes.

Lathrop: Now, to the extent any factual statements are made, I want to put you under oath, being a duly qualified notary for the State. Will you raise your right hands and I'll do that. "Do you swear to tell the truth, the whole truth, and nothing but the truth, so help you God?"

Others: I do.

Lathrop: Mr. Kendall, would you summarize for us the situation as you see it from the Vermont Dept. of Taxes' point of view.

Kendall: Yes. The Mobil Oil Corporation on its 1972 Vermont Corporate Income Tax Return reduced the Federal taxable income, specifically line 30 of the Federal Form 1120, which was $232,825,728.27 by amounts representing non-apportionable income in the amounts of some $280,000,000 in dividends—I'm sorry—non-apportionable income as a heading, dividends of $280,000,000 some odd thousand; interest of $3,900,000; and foreign taxes of $38,260,000 some odd hundreds. The departmental auditor adjusted the taxable income and restored to the Federal taxable income all of these reductions with the exception of the interest on government obligations, which is allowable, and the "gross-up" only of the foreign dividends. We were able to ascertain these figures from the schedules supporting the Vermont return and included in the Federal return. So, that we restored the income to its original amount, with

the allowable deductions, and assessed additional tax on that basis of $25,359.69, "with interest of $443.80," for a total of $25,803.49, adjusted and then apportioned it by the proper Vermont apportionment factor as indicated on the return. The corporation entered a timely appeal to this adjustment under date of August 22, 1973. The taxpayer requested permission to submit additional documents and stipulations in the matter and these have been submitted and have been reviewed, I understand, by counsel for the Department. The hearing then was set for this date.

Lathrop: Now, let me see if I can—I'm sure this will come out in the discussion, but I want to pinpoint a few things. What kind of dividends and what kind of interest are being deducted against the line 30 figure?

Hellerstein: Excuse me one moment, if I may, Mr. Commissioner. Would it be appropriate at this point, or do you intend at a later point, to refer to the fact that we are also involved with years 1970 and 1971?

Lathrop: I want to get to that, too.

Hellerstein: Very good.

Lathrop: Yes, I know you raised that issue. What I want to get on the record is whether we are talking about dividends from foreign subsidiaries or dividends from every place. I have a feeling it's the latter.

Kendall: In this case they were total dividends—foreign and domestic. Correct me if I am wrong here.

Evans: Yes, that's right.

Lathrop: Not just from subsidiaries?

Kendall: Correct.

Lathrop: The whole works.

Kendall: Right.

Pfalzer: Dividends from subsidiaries and non-subsidiaries.

Kendall: And interest from all sources.

Pfalzer: On the interest, it's a specific non-operating type interest that was excluded from the apportionable tax base.

Lathrop: Why don't we get into that in a minute. Now, I think that would be the best way to do it.

Kendall: And the third item is foreign taxes.

Lathrop: Since Mr. Hellerstein mentioned it, in one of these documents there's a reference to 1970 and 1971. Presumably we've been through the same procedure. That is we have assessed the tax and presumably you people either paid under protest or actually petitioned for a hearing. I don't know what the circumstances are.

Hellerstein: The issues for 1970 and 1971 are basically the same as for 1972, with one difference. In the year 1970 gross-up is included, so-called gross-up. A protest was filed as to both of those years. There has never been a hearing on either of the years 1970 or 1971. We would propose in this hearing to include all three years in the one hearing since the issues with the one exception are all the same.

Kendall: Yes. I should stipulate, sir, we did receive timely appeals for both 1970 and 1971, and a hearing has not been held in connection with those two years.

Lathrop: I assume that was because of the *Woolworth* case . . .

Kendall: Right. That is correct.

Lathrop: . . . which is still being litigated. We can't agree on what the Vermont Supreme Court said in *Woolworth*. Okay, so we are covering all three years here. Identical except for gross-up?

Hellerstein: Yes.

Lathrop: The problem of gross-up is in 1970 only; it is not a problem for 1971 and 1972.

Hellerstein: That is right.

Lathrop: Okay. I think, Jim, you probably covered what you need to so Mobil wants to go ahead. Which one of the representatives would you like to have speak and respondent to the Department's position that these items be added back into income?

Evans: My name is John Dwight Evans. I'm Tax Counsel for Mobil. I would like to state at this time that Mobil Oil Corporation submitted several weeks ago a proposed stipulation of facts to the State of Vermont, which we believe states the facts in this matter and which we propose to stipulate with the State. Now, I want to state here that there are also exhibits to this stipulation, some 16 documentary exhibits. We have, since submitting the stipulation, made a couple of changes which I have brought with me today and which we feel to be of some importance to be included in the stipulation. I would like to, at this time, ask whether the state has reviewed this stipulation and whether the state is agreeable to entering into this stipulation because, if so, I think that we can—for the record the facts will be all contained in the stipulation and the exhibits and I don't believe, that unless you have some questions and facts, that you want to develop, that we have any further facts that we would want to put into the record. Is that correct, Jerry? Joe?

Hellerstein: That's correct.

Lathrop: Okay, now. In that respect, Ed, I think you had some problems with . . .

Goldkamp: Yes, may I take a quick look at it.

Lathrop: It's right here.

Goldkamp: I think there are some that we cannot agree to and some we don't think are particularly germane to the issue. I think the first one—well, the first one I had problems with—my file on it was no. 4 where we didn't have a protest, but I understand now that has been corrected, there has been an appeal made for those years. Is that correct?

Kendall: Yes. That is correct.

Goldkamp: No. 5a, that Mobil reported on a Vermont return its income was shown on line 30 and deducted therefrom dividends received by it. I don't believe that's absolutely correct. I think you backed out all the other things from your line 30 income and then reported that on your Vermont income.

Evans: Well, then in other words you rather say that instead of deducted?

Goldkamp: Well, I don't want to agree that you reported on your Vermont return your line 30 U.S. Corporate Income Tax Return amounts. I don't think that happened.

Evans: No. I don't . . . Joe, do you have the . . .

Hellerstein: I think what Mr. Goldkamp is referring to here is that we showed on an attachment to the return itself line 30 and then backed out what we considered nonapportionable income and reported that revised sum on the face of the return on line 1.

Evans: I'm certainly agreeable to describing it that way. That's really what we were trying to say. We could easily say here in respect to the calendar year Mobil reported on its Vermont return income as shown on line 30 of U.S. Corporation Income Tax Return with the following

items backed out or something. We agree with you what you are saying there. It's just a matter of describing it I guess accurately.

Kendall: "Or reduced by the following items."

Evans: Reduced by the following items—I guess that would . . . Respect to calendar year, Mobil reported on its Vermont return income as shown on line 30 of U.S. Corporate tax return reduced by the following items, and then we could just number them: 1. dividends received either United States or foreign sources in such and such amount; 2. interests from United States and foreign sources; and 3. Interest from U.S. Government obligations and 4. foreign income taxes in the amount of . . .

Hellerstein: May I make a correction?

Evans: Right.

Hellerstein: I think you should strike the interest from U.S. Government obligations because that is item 2 on the return. So to arrive at item 1 . . .

Goldkamp: There is another copy of this stipulation in my folder.

Hellerstein: . . . to arrive at item 1 you would not be reducing line 30 of the Federal Income Tax by the . . .

Evans: What you are saying is the interest from U.S. Government obligations could be just stricken out entirely?

Hellerstein: Yes.

Kendall: Yes. Because that comes out on the face of the Vermont return.

Evans: So that would only be three things and the third would be foreign income taxes in the amount of . . .

Kendall: That would be correct.

Hellerstein: Could we do that now and thereby change the stipulation so that we'll have the stipulation as you

want it at this point? Or do you want to wait and see what comes?

Goldkamp: Well, we have a few more to go through on this.

Hellerstein: Fine, fine. You have that down on your copy Dwight so that we can have that before us.

Pfalzer: We would have the same situation for the other returns.

Hellerstein: Right, the same thing.

Evans: Yes, we would make exactly the same changes. On page 4 if I might, Mobil proposes one change in paragraph 8 we propose to add one additional sentence to this effect: Mobil is subject to net income taxes or franchise taxes measured by net income imposed by some 40 other states and the District of Columbia. I have the pages with that change.

Goldkamp: Did you have that somewhere else in here?

Evans: That was in the protest. That's where you read it. It was in the protest.

Kendall: That has been added to this . . .

Evans: That has been added to paragraph 8—new sentence of paragraph 8.

Goldkamp: On no. 11, we don't know about the payment of all dividends received outside of Vermont and we don't know that the dispositions of such dividends were managed and divided outside of Vermont, that's just some of the things we don't know, for sure.

Evans: Well, we can put testimony in in connection with that. That is the fact. We have no office in Vermont. All of these . . . This is a correct statement of facts. I can swear to that from personal knowledge.

Goldkamp: Now, no. 13. I'm just wondering how germane that is to the issue that we are having here. And that goes to . . .

Evans: Fourteen, also.

Goldkamp: Fourteen, also.

Hellerstein: May I comment on the relevancy? One of our contentions is that with respect of the question as to whether the deficiency here assessed complies with the statutory requirement of the amount attributable to Vermont represents the amount fairly and reasonably attributable to activities in Vermont. Our contentions include the following: 1. that Mobil's activities having to do with its operation essentially as a holding company receiving dividends whether from domestic corporations or from foreign corporations have not the slightest connection with the State of Vermont. That, therefore, the inclusion violates the basic statutory provision. Likewise, this ties in with our constitutional arguments that the Due Process Clause is thereby violated, the interstate and Foreign Commerce Clauses are thereby violated, and that fundamentally this is in conflict with the—this inclusion is in conflict with broad federal tax policies with respect to foreign commerce. Finally, this contention, namely as to the dividends in question, their source, their amounts, their magnitude, the earnings base of the dividends all tie in with our petition for variation under 5833. So it seems to us that this allegation, the whole series of paragraphs come to are highly relevant to our positions.

Goldkamp: Is that the same thing for no. 17 and no. 18?

Hellerstein: Precisely. It ties in with . . . This whole series of allegations is designed to show that tc attribute

any part of these dividends to Michigan violates the statute and the constitution and affords a basis for a . . .

Kendall: You meant to say Vermont instead of Michigan, I believe, Mr. Hellerstein.

Hellerstein: Oh, sorry. We have many states involved in similar problems. Forgive me. Vermont, of course.

Goldkamp: And then I guess that would go to 19 also?

Hellerstein: Precisely That's what this whole series of statements is about.

Goldkamp: And 24?

Hellerstein: Right. That is correct.

Goldkamp: That would be 32, Arabian Oil, American Oil Company.

Hellerstein: That's right—28, 29 and 30, 31 and 32. Those are all U.S. non-subsidiary corporations operating abroad outside the United States paying dividends to Mobil Oil Corp.

Goldkamp: I'm going back to the other question on no. 33 about the payment of all interest which is received by Mobil outside of Vermont and Mobil's control, use disposition as managed directly from the offices outside of Vermont. That would go back to the other question . . .

Hellerstein: That is right . . .

Goldkamp: For what it is worth.

Hellerstein: I can say from personal knowledge that is a correct and accurate statement.

Goldkamp: I have, I guess, one other problem. The Attorney General's Office is not all that interested in entering into stipulations. A lot of times at this stage of the proceedings and based on the fact that a lot of this stuff, at least from our records, we can't verify.

Hellerstein: Well, in that connection, since we are under oath, I can testify and I think Mr. Pfalzer can testify also, that we have verified this information, that we can testify that it is true and correct. This is what we have testified to here today. If we want to go through this thing line by line asking questions and answering them, this would be the record that we would submit.

Goldkamp: Well, could we do it this way? Pending we check with the Attorney General's Office and our talk here today using this as the basis and then deciding whether we can or cannot enter into this stipulation afterward on that or are you just here to present facts today?

Hellerstein. No. We are entirely agreeable to your taking this subject to checking and if for any reason you conclude that the stipulation will not be acceptable then presumably and we can't otherwise dispose of the case, presumably we can have another hearing at which we will give the testimony. Does that seem satisfactory?

Lathrop: Well. Or we could accept this as testimony.

Evans: That would be fine.

Hellerstein: That's fine with me.

Lathrop: And not use these as the sole facts and I'll tell you why. If we stipulate, I would not stipulate to this set of facts, obviously, there is no reason why you shouldn't. You've tailored them to your argument and there may be additional facts as we go through this determination that we think are pertinent and I don't want to be bound by the facts that support your argument alone.

Hellerstein: That is perfectly agreeable. In fact, the stipulation I believe says that either party may introduce other and further evidence not inconsistent with the facts here stipulated and by that we mean if you have any fur-

ther facts that you want to put into the record, we are perfectly agreeable. In fact, if anything new came up that we thought was relevant, we would also, so long as it wasn't inconsistent with what we said here, I would want to put it in the record. I think this is satisfactory. We would like to have it stipulated to but if not, we would like to have it submitted into the record as the testimony of Mobil Oil Corporation.

Lathrop: I think that's fair enough. I don't see anything wrong with that. If you swear to it under oath that this is the fact of the case?

Hellerstein: Yes, now in that connection, let me say that I have two other small changes that we propose for page 13 and 14. Let me pass them out here and I'll show you where the changes are. And then what I would like to do is sign them indicating that I have . . . all right, now the changes on page 13, there's been an additional paragraph 33 which reads: the income of each of the corporations referred to in paragraphs 26-32 and if you go back and look at paragraphs 26 to 32, it's referring to the foreign incorporated subsidiaries and non-subsidiaries and the U.S. incorporated non-subsidiaries, we state that substantial— that the income of each of the corporations referred to in those paragraphs was derived through a substantial extent in foreign commerce. That is accurate and true. The other change is on page—excuse me, let me, no, —that's the only change. The other changes are simply renumbering the paragraphs so that the old paragraph 33 became 34 and we had a new paragraph 35 which was old paragraph 34. So the only change on pages 13 and 14 is the new paragraph 33 which I have just referred to and the renumbering of the paragraphs. With that if those changes

are acceptable, I would like to insert these new pages in the stipulation and resign it and date it today and submit it to you and the earlier stipulation would be withdrawn so that we would have . . . Is that acceptable?

Goldkamp: In other words, you want to take out the prior pages and put them in the back with your signature on it and have the that and the new one reshuffled and consists of the stipulations.

Hellerstein: Right, right. Why don't I do that now. That leaves though this question which really isn't any problem of changing paragraphs 5 a, b, and c. I think, maybe, in the interest of time, why don't we just do that by pen: We could make the corrections and I'll initial them and I don't think it's necessary to have the whole thing retyped.

Evans: I don't suppose so. They seem like simple changes.

Goldkamp: How did you have 5 a, b, and c changed? Specifically?

Hellerstein: Well, let's go through 5a and I'll do it in pen here. 5a would read as follows: with respect to calendar year 1970, Mobil reported on its Vermont return its income as shown on line 30 of its U.S. Corporation Income Tax Return reduced by the following items: 1. dividends received by it from the United States and foreign sources in the amount of $174,211,073 (including gross-up) of foreign dividends of $354,859 (paid by foreign subsidiary corporations and foreign and domestic non-subsidiary corporations); 2. interest from United States and foreign sources, other than United States Government obligations, in the amount of $10,520,793; and 3. foreign income taxes in the amount of $12,221,477. The words interest from

U.S. Government obligations in the amount of $2,291,179 being stricken. And then we would do the last sentence of 5a would remain the same. And we would do exactly the same with b and c.

Pfalzer: The last sentence in 5a should be concluded after all the above deductions.

Hellerstein: All right. You are right. So that, right, Joe, the last sentence of 5a would read: on audit the Vermont Department of Taxes disallowed and added to apportionable income all the above deductions. Except interest on U.S. Government obligations that we have taken out already above so we don't need to refer to that again.

Lathrop: How about all the above reductions?

Hellerstein: Reductions, that's all right. Yes, because we don't call them deductions anymore. Right, and b and c would follow the same form.

Lathrop: Now, what do you propose to do? Make these changes in b and c right now, too?

Hellerstein: Yes, I would propose to make these corrections in the interest of time and to save the retyping.

Lathrop: Ed, why don't you make them on your copy and Mr. Evans can sign it. I would really prefer to take this not as a stipulation but as a sworn statement of facts.

Evans: That's fine with us.

Hellerstein: That's fine with us.

Lathrop: It would serve the same purpose. It doesn't lock us into facts that we may consider pertinent later on.

Hellerstein: Mr. Lathrop, there would only be one item that I would suggest we might as well stipulate to which I think you would have no problem with. On page 2, par. 4 Mr. Kendall has already stated that there were timely protests for all three years. But the final sentence of par. 4 requires a stipulation and we would request that it be

stipulated. All contentions made therein, mainly the '72 protests, shall be deemed applicable to the years '70 and '71 as well as the year '72.

Lathrop: I guess they are except for the "gross-up" situation with respect to '70.

Hellerstein: The statement of our contention was a little fuller, somewhat fuller on the '72 stipulation. They are essentially the same problems but we simply want to be in a position of making it perfectly clear that all the contentions made under the '72 protests are intended to apply to '70 and '71.

Lathrop: You could do that. Well, you never did pay the tax. I don't see anything wrong. . . .

Hellerstein: Fine, very good. With that understanding. . . .

Lathrop: You can file this thing for those years anyway. (Voices together—can't understand.)

Hellerstein: All right. With that understanding, then, the recognition of the stipulation is not except for that portion that I have just mentioned at this point at least accepted by the state but this is being introduced as evidence as Mr. Evans' testimony that's my . . .

Evans: Testimony of myself and Mr. Pfalzer on behalf of Mobil Oil Corporation.

Lathrop: Right. You stipulate in paragraph 4.

Evans: Right. Rather than make these corrections in paragraph 5 right now, should we go on into our . . .

Lathrop: That's something we can do after the hearing . . . Now why don't you go ahead and present your legal arguments for our consideration and clear up your testimony incorporated in the proposed stipulation after the hearing.

Hellerstein: That's agreeable. Very well. I should like to present an outline of our legal contentions. First, with respect to the inclusion or adding back to the base of dividends and interest. And our first contention is that action violates the provision of the Vermont Statute 5833 I believe which requires that where a corporation is doing business both within and without the state, that the amount of the tax vis-à-vis apportionment must represent a fair and equitable—those are the statutory terms—portion of the taxpayer's income. Now, obviously this statutory provision is drawn in the light of the well established position of the Supreme Court of the United States that an apportionment formula has got to have at least the one in which the method used, has got to display at a reasonable relationship as the Supreme Court said in *General Motors* v. *Washington*. It's got to have at least a modicum of a relationship to the corporate activities within the state. Now, it is our contention that the statute is here violated and the reason is that there is simply no relationship whatever between Vermont and any of these dividends and interest in question where corporate domicile is outside of the State of Vermont. The dividends are received, spent, controlled, managed outside the state of Vermont. The dividends in question and this is especially true, by the way, with respect to the dividends received from corporations whether they are American corporations or foreign corporations. That is, in terms of where they are organized and from affiliates. These dividends are received to the extent of 99% from underlying income and activities of the subsidiaries and affiliates outside the United States. Now, as I suggested earlier, Mobil is essentially two things: Mobil in the United States is very largely an operating company.

To be sure, it has some subsidiaries. For example, we have a subsidiary that runs a pipeline; but essentially in the United States Mobil directly operates exploration, production, refining, distribution, etc., and we are perfectly willing to pay an appropriate apportioned tax and we would not raise any question about the apportionment with respect to operating income. Now the limitation even on the operating level of what we do in Vermont is very striking. We don't have any wells here. We don't have any refining here. We don't have any manufacturing here. What we do, however, is to include as we have no objection here of including of overall apportionment basis Mobil's income from its operations from its exploration, for production, refining, manufacture, all of which take place outside of the state to the extent of Mobil directly all within the United States, or virtually all. That we have no problem about, but when we come to our operations as a holding company, and as I say virtually all of the dividends which are here in question and indeed the interest in question, the State of Vermont doesn't give us to any extent what is fundamental as a basis for tax. We get no benefits, we get no protection from the State of Vermont, with respect to activities as a holding company. In real substance, therefore, this is a separate independent operation with which the State of Vermont has not the slightest connection. And it is our contention, therefore, the statute is simply violated by the attempt to buy your formula which covers not only our operating functions but covers our functions as a holding company. Now that's essentially our basic contention that the statute is violated.

Our constitutional questions, constitutional positions you are in general, I am sure, quite familiar with and I don't

need to detail those except to tick them off with respect to broadly the problems of interstate commerce of which you've heard a good deal in other cases. Fundamentally, for the reasons that I have indicated it is our contention that the Due Process of Law Clauses are violated. This is extra-territorial taxation because there is simply no relationship between this income which is sought to be taxed and the State of Vermont. For similar reasons, this imposes a burden on interstate commerce. But I do want to take a minute just to refer to what I regard as a very special feature of the case which I think is not present or at least I have generally not seen it argued very extensively in cases over the country, whether it has been here I do not know. And that is first that the Interstate and Foreign Commerce Clauses here are violated. Now, it is of course well settled that the restrictions on state taxation imposed by the Interstate Commerce Clause which 300 or more cases of the Supreme Court have decided that those, of course, apply to foreign commerce. But I would like to suggest that there is a special sensitivity in the court and there is a special need for safeguards and protections vis-à-vis state taxation when we are dealing with foreign commerce other than when we are dealing with domestic commerce. Domestic interstate commerce. Now, let me spell that out. As you well know, one of the key safeguards that the Supreme Court has developed basically since the middle of the 30's I believe, has been the multi-state, has been the multiple taxation doctrine. The substance of which is that and most of these cases, of course, deal with interstate commerce, but the substance of the multi-state, the multiple taxation doctrine is this: that where you've got a tax which if the Supreme Court

sustains with respect to one state, would result in the power of other states to impose similar taxes which would subject inter-state commerce to a burden of cumulative multiple taxation to which intra-state commerce is not subject then such a tax imposes an undue burden on interstate commerce and violates the Commerce Clause. On the other hand, if because the Supreme Court was sitting there and is operating as the final arbitrator for the meaning of the Due Process Clause, which prevents extra-territorial taxation, and if the Interstate or Foreign Commerce Clause—Interstate is the one I want to focus on for the moment before we come to the Foreign Commerce Clause—the reason of the Court's power because it's sitting there and the rules that are established will prevent another state from imposing such a tax then the multiple taxation doctrine permits state A which is before the court to impose such a tax. Now the problem when you get to foreign commerce is and the reason why special safeguards are required when you are dealing with foreign as distinguished from domestic interstate commerce is this: the foreign states and the European countries, Canada, Middle East, what not, are not subject to the Due Process Clause of our Constitution nor are they subject to the Interstate or Foreign Commerce Clause of our Constitution. And so the Supreme Court is not in a position to impose similar restrictions and while there has been very little learning on this because the states just simply haven't tried to reach out in a manner which subjects foreign commerce to this kind of a burden, the Supreme Court has recognized that there is a difference between the safeguards required to be imposed with respect to domestic and foreign commerce for this very reason and that is that the court cannot

prevent these other countries from imposing such taxes. Now, let me indicate concretely why in our view there is a burden of multiple taxation, the risk of multiple taxation and that is all the court has required. Whether the state exercises this power or another county exercises this power is another problem. You can't subject, say the courts again and again, one to a tax where there is a risk that another state having such power will exercise it. Now, look at what happens. Here we are, Mobil Oil Corp., with its commercial domicile, the management of all its subsidiaries, the direction of its subsidiaries and affiliate activities to the extent that it acts as a holding company in New York. Dividends coming up now there's no question but that the foreign countries can and many do—Canada and other European countries—can and do impose taxes on Mobil with respect to the dividends that are derived by Mobil from its subsidiaries or affiliates which earn all their income outside the United States and in foreign commerce. Now those dividends come up here. If you tax those dividends again, and bear in mind you don't allow any foreign tax credit if you tax those dividends again we are inevitably, or if those courts should sustain or if you should sustain the foreign state to tax those dividends as part of the apportionment base which is what the issue here involves, this corporation engaged thus in a broad foreign commerce operation is not only going to be subjected to the risk but the actuality of double taxation. Now look at what happens, the test is are we being subjected to an undue burden, *i.e.*, the risk of multiple taxation, a risk and these are the precise words of the Supreme Court—A risk to which intra-state business is not subject and are we subject to this simply because we are doing foreign business. If you

dealt with a Vermont corporation doing all its business here, there would be only one tax on this corporation. Vermont might impose a tax on the corporation on receipt of dividend but it wouldn't impose a tax twice on this corporation. So that our pitch is, and we think there is a very serious problem here, that I think has not been extensively developed because the problem has not really arisen—that your inclusion or attempt to include these dividends from foreign commerce and 99% of the dividends are from foreign commerce from underlying operations abroad subjects us to a prohibited risk under Foreign Commerce Clause that violates the Constitution. Now, there is a second general line of contention that's related but not quite the same thing as to why we think the Foreign Commerce Clause would be violated by what you propose to do, what has been proposed here. And that is this. It's our contention that the proposed assessment here is in conflict with federal tax policy and that the Vermont proposed tax cannot survive that conflict with federal policy. And I am sure that you are well aware of the fact that within its powers what Congress does is predominant. If there had ever been any question about that under the Commerce clause the New Deal, National Labor Relations Act cases, Wage and Hour cases make perfectly clear the predominance, as the court has said again and again, of Congress. When Congress acts within its powers obviously it prevails. Now, our contention is that this proposed tax by the State of Vermont on these dividends conflicts with well established federal tax policy designed to protect United States based corporations which are engaged directly or through subsidiaries or affiliates in foreign commerce. Now, if you look at the Federal Income Tax Act, what

you've got is this: when Mobil receives a dividend from a corporation, if it's a subsidiary or an affiliate in which it owns at least 10% of the stock—in the first place if that affiliate or subsidiary derived most of its income as a rule 90% from foreign sources which is true with all of these companies we are talking about, then since the dividend is not included in the U.S. income base, Mobil gets the dividend from Canada or let us say from a French company or a German company or what not. The underlying company has paid income taxes. We get, I am sure you are aware of the so-called indirect credit, to the extent a tax was paid on the earnings out of which this dividend comes, Uncle Sam says, "we don't want you to be subject to double taxation, we give you—you have a right to take a full credit against that we are including your dividends all right but we want to give you a full credit for whatever tax the underlying company pays. Second, we will also give you a credit where those countries, as I have mentioned many do, have taxed usually on a withholding basis, have taxed you the recipient corporation, based here in the United States where you have been taxed on the dividend there is a second tax there." Uncle Sam also gives us a direct credit for that. Vermont doesn't do any of these things. No credits of any kind. And I am suggesting that we are thus put in a position where there are three taxes if you should prevail here, which are utterly in conflict with federal tax policy. And we submit that's contrary to the established federal tax policy fully within Congressional power. Now, there's another aspect of this same thing, and that is this. In Vermont Mobil is a foreign corporation. If you look at the way the United States under its tax laws treats foreign corporations, vis a vis.

U.S. foreign corporations, in other words you have a German company let us say that does business here. How do they tax dividends? Well, remember we are a foreign corporation in Vermont. Under the U.S. Income Tax law unless the dividend has its base—if the dividend has its base in earnings, that were created by at least 80% of the gross income of the company paying those dividends, in foreign sources they are not taxed by the U.S. That's foreign source income. And we are suggesting that your treatment of this income to us as Vermont based income violates our federal policy. Now, Mr. Lathrop, Mr. Goldkamp, Mr. Kendall. I'll make it perfectly clear; there's not a great deal of learning on these points and the reason is that the states haven't sought this but we do think there's a serious problem here and we think on these various scores that this attempt on your part to reach out and what is a comparatively new kind of thing, particularly with respect to the expanding operations of foreign enterprises, we think it violates the Foreign Commerce Clause. Now, the basic arguments with respect to the interest essentially tie in with some of the earlier points I made, namely, that the interest has no connection with the State of Vermont. Now we would hope that as a result of our contentions that this deficiency vis-à-vis dividends and interest be set aside. But as the Commissioner stated at the outset in the event you should disagree with those contentions, we have petitioned under § 5833(b) and it is our submission that under the Commissioner's power, and we submit the duty that the exercise of power under § 5833(b) on these facts particularly with the sensitive foreign income involved requires a deletion from the base of the dividends and interest. Or, if you can find some

other method of modifying the formula in a manner which will produce an equitable allocation that we believe that this is an appropriate and as the court has indicated this is a mandatory obligation of the Commissioner for the facts so required, it is an appropriate case for that kind of action. Now that's only a brief outline of our contentions with respect to the interest and dividends. And Mr. Evans is going to pick up the tax deduction problem.

Evans: Joe, could you give me our copy of the Vermont law? Did you bring it with you, please?

Lathrop: Mr. Hellerstein, while we have a second—the court said that the Commissioner would be mandated to modify our use—is that your interpretation of what *Woolworth* said?

Hellerstein: Our interpretation of *Woolworth* is that you were given a mandate to make some equitable modification.

Lathrop: I just want to make sure.

Hellerstein: Yes. That's our contention. And incidentally, there are cases in a number of other states, New Jersey is among them, as I recall it and I believe Michigan is another where the courts have treated these provisions which practically all states have these provisions for equitable modification is mandatory.

Lathrop: If petitioned or petitioned with a reasonable set of facts?

Hellerstein: Obviously, it has to be warranted. There's no—I'm not arguing that—I'm arguing that when taxpayer petitions you must act. I'm simply saying that if the court concludes on its own that this is a case in which the formula and the base that they operate do not produce a fair and equitable result, then as we read the *Woolworth* case, and

as I say there are other cases over the country, then it is the obligation of the Commissioner to exercise his discretion. How he exercises his discretion obviously in the first place is and presumably the manner of exercise of the discretion whether it produces an equitable result would itself I assume as *Woolworth* I gather is seeking an appeal to the court. But where the facts indicate an inequitable result as we think ours does in the light of the stanza of the statute, then as we read *Woolworth* it is the Commissioner's obligation to make some adjustments.

Lathrop: Yes. That's how I read it.

Hellerstein: Yes, I think that's a fair statement.

Lathrop: I did not not act. I did modify. They didn't like what I did so, or the way I did it.

Hellerstein: I guess that wasn't a great surprise. Or, maybe it was.

Lathrop: Well, just for discussion purposes, I thought I followed what the court said. You've read the case. It's on the record in *Woolworth*. I don't know what the Supreme Court will think when they read it, if it gets up there but . . . there was general agreement that it was a confusing opinion in some areas.

Hellerstein: Well, we've had some difficulties . . . In connection with the issue of the reduction of the apportionment by a deduction for foreign taxes I would like to make the following points: As indicated previously, more than 99% of the dividend income here in question is from foreign sources and as the record indicates there are substantial amounts of foreign taxes paid in connection with that income and income of Mobil Oil Corp. from foreign sources. On its federal income tax return Mobil Oil Corp. takes a—for the years here in question, took a credit for

foreign taxes as distinguished from a deduction. However, we believe that under the Vermont law and we also believe that by analogy the Supreme Court of Vermont in the *Woolworth* case indicates that we should be entitled to a deduction for foreign taxes. Particularly if the foreign dividends are included by the State of Vermont and can be included constitutionally by the State of Vermont—in the apportionable base income. First, I would like to mention the section of the Vermont law § 5820 which states, I believe, that the Vermont corporate income tax is intended to conform with the U.S. Internal Revenue Code except as otherwise expressly provided in order to simplify the taxpayer's filing a return, reduce taxpayer's accounting burdens, and facilitate the collection and administration of the Vermont tax. We believe then returning to § 5811(18) of the Vermont law that in finding Vermont net income and I read that to mean for the taxable year and for a corporate taxpayer the taxable income for the taxpayer for that taxable year under the laws of the U.S. excluding income which under the laws the U.S. is exempt from taxation by the state. Now, the way we interpret this frankly is that Vermont has incorporated to this extent the U.S. income tax law which given to a corporate taxpayer or any taxpayer as far as that's concerned, the election to take foreign taxes either as a credit or as a deduction. Now, we recognize that there is nothing specific in the Vermont law for a credit for a corporation. That's not true as we understand the Vermont law for an individual. An individual, as we read the Vermont law, partnership, a trust, I believe can take credit for foreign taxes.

We have for these years taken a deduction for Vermont purposes of foreign taxes and we believe that we are en-

titled to it under this section 5811(18). Now, also as earlier mentioned, we believe that the *Woolworth* case while not certainly dealing directly with this point—we don't make that contention, but—that the rationale of that case in connection with the taxation of gross-up and gross-up dividends, indicates that there has to be the taxation of such income by the State of Vermont. It has to take into consideration its foreign source and we believe that in this case that if the State of Vermont can constitutionally tax this foreign source of income, that it follows that the expenses particularly these taxes, foreign taxes that are paid in earning that income are deductible just as if the taxes were paid to a state of the U.S. That this is an expense attributable to this foreign income. The final point and it's only a point for the year 1970 is the inclusion of the so-called "gross-up" portion of the dividend in the Vermont tax base. This, of course, was the matter that was specifically dealt with and argued in the *Woolworth* case. We would make the same argument that *Woolworth* made that this is not income. It's notional income, a fictional income. But we have not pressed on this point too strongly since it is a thoroughly minor point in this case and it does not apply to the years '71 and '72 because of the change in the Vermont law. That in summary is the legal contentions of Mobil Oil Corp. and they are set out in skeleton form in the protest for the year 1972 and are made for all three years here in issue.

Lathrop: Let me ask you one thing while I'm thinking about it. Do you want to file a brief with me before I determine? Or not? If you do, I would like to set a time limit.

Evans: Could I respond to that with the following: Would you mind going off that in the record for a minute?

Kendall: Okay, we're back on the record.

Lathrop: Okay so you'll leave me that memo why we ought to do something under 5833(b).

Hellerstein: I would like to give you two copies of a Memorandum in connection with the issue under § 5833(b). We better sign them. No, I'm giving it to you for good.

Lathrop: Now do you have anything else you want to put on the record?

Evans: Yes, could we go off the record and make the changes in the . . .

Hellerstein: Excuse me just a minute . . .

Evans: And then we come back and put it on the record formally?

Hellerstein: I was going to make a suggestion in response to the Commissioner's question as to whether we want to submit a brief. Would it be appropriate to suggest that we would be glad to have you consider our off the record discussion and if as a result of those discussions, it's possible for a compromise to be reached, then there would be no necessity of our submitting a brief on the legal points. If, however, that does not result in an acceptable compromise, then we would like an opportunity to submit a brief.

Lathrop: Right, okay. We will do that.

Hellerstein: Very good. Why don't we go off the record while I make these . . .

Lathrop: You're on.

Evans: Mr. Commissioner, on behalf of Mobil Oil Corp., I would like to submit for the record a document which is titled Stipulation of Facts. However, I understand at this

time that it is being submitted as a testimony on behalf of Mobil Oil Corp. sworn testimony by myself, John Dwight Evans, Jr. as counsel for Mobil Oil Corp. and O. J. Pfalzer, a senior tax advisor for Mobil Oil Corp., as our joint sworn testimony in this case.

Lathrop: Okay, we'll take that as such . . . I really don't, I just don't.

Goldkamp: Can we get on the record so to avoid the problem like we had in *Woolworth* and say that unless this is signed by the Tax Department it won't be considered a stipulation.

Lathrop: Well, I think the record is clear. We can say that but the fact that it is not signed by the Tax Department indicates that it is not a stipulation. We had a problem, and we may still have one, because the County Court is looking at this right now. Yes, well we made the statement so we'll clear it up. I think the record is clear at any point on that score. If there's no other discussion, I'll delve into the interesting matter I was just referring to off the record.

Hellerstein: We have no more evidence or documents. In connection with the submission that we have just made there are also 16 numbered exhibits which have previously been submitted to the state and which are a part of this submission which we submit to you at this time.

Lathrop: Okay. I think we can conclude the hearing, at this point.

Exhibit 1

(Appellant's Vermont Corporate Income Tax Return for 1970)

[Record of Tax Department—Exhibit 1, Filed June 27, 1974]

WASHINGTON SUPERIOR COURT

WASHINGTON COUNTY, STATE OF VERMONT

Docket No. C 13-74 Wnm

MOBIL OIL CORPORATION

—v.—

COMMISSIONER OF TAXES

(see opposite) ☞

Exhibit 1

VERMONT CORPORATE INCOME TAX RETURN

(Including Banking and Loan Franchise Tax Return)

FOR CALENDAR YEAR 1970

or Other Fiscal Year Beginning 1970

and Ending 1971

Mobil Oil Corporation
Mobil Building, P. O. Box 900
Dallas, Texas 75221

(PRINT OR TYPE COMPLETE NAME AND ADDRESS)

Name of Secretary or Clerk of Corporation
A. M. Sherwood

Address of Secretary or Clerk
150 East 42nd Street

City, State, Zip Code of Secretary or Clerk
New York, New York 10017

Date Incorporated
August 10, 1882

Principal Place of Activity in Vermont

First Licensed to Do Business in Vermont
February 2, 1903

City and State Where Books Kept
New York, New York

State of Incorporation
New York

Principal Business Activity
Petroleum

In which of the past five years, if any, have Federal Audits of the corporation's income tax returns resulted in assertions of deficiencies? None

1. Federal Taxable Income (Line 30, Federal Form 1120) See Schedule Attached	$23,081,901.24
2. Interest on U. S. Government Obligations (Line 5, Page 1, Form 1120) Note: Corporations subject to Vermont Franchise Tax should leave this line blank	2,291,179.03
3. Vermont Net Income (Subtract Line 2 from Line 1)	20,790,722.21
4. Vermont Allocation Percentage (From Allocation Schedule, Page 2)	0.146032%

Exhibit 1

5. Net Income Allocable to Vermont (Line 3 multiplied by Line 4)		30,361.11
6. Vermont Tax Rate		6%
7. Vermont Tax (Not less than $25.00)	$	1,821.67
Tax Paid	$	4,000.00
This Return Must Be Accompanied by a Legible Copy of the U. S. Corporation Income Tax Return, Form 1120 (or Form 1120-S), Together With All Supporting Schedules, for the Same Taxable Period. Refund Due	$	(2,178.33)

Please File This Return With the Vermont Department of Taxes, Montpelier, Vermont, Not Later Than the 15th Day of the Third Month After the End of the Corporation's Fiscal Year.

One-half of the Vermont Tax Is Due With This Return. The Balance Is Due 90 Days After the Due Date of This Return.

SIGNATURE AND VERIFICATION

I declare under the penalties of perjury that this return (including any accompanying schedules and statements) has been examined by me and to the best of my knowledge and belief is a true, correct, and complete return.

CORPORATE SEAL	9/3/71	Original Signed By A. B. Huckabee, Jr.	Assistant Secretary
	(Date)	(Signature of Officer)	(Title)

I declare under the penalties of perjury that I prepared this return for the taxpayer named herein; and that this return (including any accompanying schedules and statements) is, to the best of my knowledge and belief, a true, correct, and complete return based on all information relating to the matters required to be reported in this return of which I have any knowledge.

(Date)	(Individual or firm signature)	(Address)

Exhibit 1

CORPORATION ALLOCATION SCHEDULE

	Everywhere	*Vermont*	*Vermont as % of Everywhere*
1. Sales, Receipts, Charges for Services (See Instructions)	$3,577,148,701	$8,554,200	0.239134%
2. Salaries and Wages	$	$	
2(a). Executive Officers' Salaries			
2(b). Balance (Line 2 less Line 2(a))	$ 380,818,887	$ 236,553	0.062118%

3. Property (from balance sheet or reconciled schedule)

3(a). **Everywhere**

	Beginning of Year	*End of Year*
Inventory	$	$
Net Depreciable Assets		
Land		
Other (Specify)		
Sub Totals	$2,388,272,971	$2,543,571,279

Average of Sub Totals	$2,465,922,125
Rented Property (capitalized by 8)	406,000,840
Total Property Everywhere	$2,871,922,965

Exhibit 1

3(b). **Vermont**

	Beginning of Year	*End of Year*
Inventory	$.....	$.....
Net Depreciable Assets	.....	.....
Land	.....	.....
Other (Specify)	.....	.....
Sub Totals	$ 3,508,596	$ 3,802,547
Average of Sub Totals		$ 3,655,572
Rented Property (capitalized by 8)		274,528
Total Vermont Property		$ 3,930,100

3(c). **Vermont Property as percent of Property Everywhere** 0.136845%

4. TOTAL OF THE THREE PERCENTAGES (Vermont as % of Everywhere) ABOVE 0.438097

5. VERMONT ALLOCATION PERCENTAGE (Line 4 ÷ 3) 0.146032%

Exhibit 1

MOBIL OIL CORPORATION
VERMONT CORPORATION INCOME TAX RETURN

Year 1970

Federal Taxable Income		$220,035,244.23
Less:		
Non-apportionable Income		
Dividends	$174,211,073.60	
Interest	10,520,792.51	
Foreign Taxes	12,221,476.88	
		196,953,342.99
		$ 23,081,901.24

Exhibit 1

FORM 1120—U. S. CORPORATION INCOME TAX RETURN
YEAR ENDED DECEMBER 31, 1970

MOBIL OIL CORPORATION 13-5401570

GROSS INCOME

01	Gross Receipts or Gross Sales	$4,132,112,461.09—
02	Less Cost of Goods Sold	2,387,111,460.13
03	Gross Profit	1,745,001,000.96—
04	Dividends Schedule C	275,136,957.66—
05	Interest on U.S. Obligations	2,291,179.03—
06	Other Interest	22,691,490.65—
07	Gross Rents	52,290,463.51—
08	Gross Royalties	2,816,662.47—
09	Net Gains (Losses) Separate Schedule D	2,582,816.59—
10	Other Income	4,709,247.36—
11	Total Income Lines 3 through 10	$2,107,519,818.23—

DEDUCTIONS

13	Salaries and Wages Not Deducted Elsewhere	$ 229,632,058.24
14	Repairs	145,060,989.10
15	Bad Debts	26,486,399.42
16	Rents	116,886,797.44
17	Taxes	717,153,747.03
18	Interest	22,427,826.16
19	Contributions	1,490,531.80
20	Amortization	21,625.54

Exhibit 1

21	Depreciation	49,513,588.00
22	Depletion	84,090,646.41
23	Advertising	33,815,886.98
24	Profit Sharing, Stock Bonus, Pension, Annuity	21,504,741.16
25	Other Employee Benefit Plans	23,382,969.00
26	Other Deductions	315,090,883.66
27	Total Deductions Lines 12 through 26	$1,786,558,689.94
28	Taxable Income Subtotal Line 11 less Line 27	320,961,128.29—
29B	85 Pct. of Domestic Corporation Dividends	100,925,884.06
30	Taxable Income Line 28 less Line 29	$ 220,035,244.23—

Exhibit 1

FORM 1120—U. S. CORPORATION INCOME TAX RETURN

SCHEDULE M-1 RECONCILIATION OF INCOME PER BOOKS WITH INCOME PER RETURN YEAR ENDED DECEMBER 31, 1970

MOBIL OIL CORPORATION 13-5401570

01	Net Income Per Books	$ 578,521,620.38—
02	Federal Income Tax	54,142,980.68—
040	Receipt of Dividends Accrued in Prior Years	55,374,824.43—
040	Gross-up of Foreign Dividends (Section 78)	354,859.00—
040	Adjustment of Sales for Take or Pay Contracts	2,121,860.75
040	Federal Power Commission Reserve Adjustment	7,852,000.00—
040	Adjust Partnership Income	7,169,326.00—
040	Miscellaneous Other Adjustments	817,434.94—
040	Deferred Gain on Sale of Pipeline Stock	95,253.17—
040	Reflect Tax Gain on Sale of Pipeline Stock	5,208,082.62—
04	Taxable Income Not Recorded on Books This Yr	74,749,919.41—
050	Adjust Current Provision for Foreign Taxes	12,221,476.88—
050	Adjust Reserve for Retirement and Separation Benefits	4,500,000.00—
050	Adjust Reserve for Revaluation of Investments	13,963,413.03—
050	Deferral of Blocked Income	35,578.67—
050	Adjust Partnership Income	464,317.00—

Exhibit 1

050	Unallowable Amortization of Non-Producing Properties	29,842,438.00—
050	Unallowable Amortization of Intangible Drilling Costs	35,314,854.00—
050	Exploration Expenses Capitalized	2,900,000.00—
050	Unallowable Provision for Deferred Income Taxes	7,796,000.00
050	Unallowable Legislative Department Expenses	50,368.17—
050	Adjust Vacation Pay	47,626.27—
050	Adjust Incentive Bonus	1,014,723.00—
050	Unallowable Accrued Anticipated Losses	4,246,375.21—
050	Allocation of Expenses Charged to Other Companies	1,229,838.66—
050	Miscellaneous Other Adjustments	3,682,804.40—
05	Expenses Per Books Not Per Tax	101,717,813.29—
06	Total of Lines 1 through 5	809,132,333.76—
070	Excess of Capital Losses Over Capital Gains	18,376.52
070	Accrued Dividend Income Not Received	36,781,268.64
070	Dividends Received as Return of Capital	1,693.48
070	Adjust Lease Income for Carve-out Production Payments	1,240,958.26
070	Eliminate Interest on State and Municipal Obligations	70,156.18
070	Deferral of Blocked Income	267,390.34
070	Adjustment on Disposal of Section 1231 Property	5,354,41—

Exhibit 1

070	Adjust Partnership Income	444,829.50
070	Miscellaneous Other Adjustments	103,594.00
070	Consolidation Dividend Elimination	254,026,469.00
070	Deferred Gain on Sale of Pipeline Stock	37,190,727.62
07	Income Per Books Not Per Tax	330,140,109.13
080	Adjust Reserve for Bad Debts	3,018,019.80
080	Amortization of Initial Bad Debt Reserve	424,140.00
080	Adjust Reserve for Retirement and Separation Benefits	846,547.00
080	Federal Power Commission Reserve Adjustment	62,770.87
080	Adjust Partnership Income	600,000.00
080	Depreciation	9,176,003.03
080	Depletion	82,389,627.41
080	Intangible Drilling Expenses	33,150,818.00
080	Abandonment of Wells and Leases	23,236,338.00
080	Writeoff Prior Years Exploration Expenses Capitalized	1,500,000.00
080	Adjustment of Capitalized Lifting Costs	1,661,256.00
080	Excess of FMV Over Basis of Property Donated	1,353,161.00
080	Adjustment of Advance Payments	165,396.85
080	Miscellaneous Other Adjustments	67,871.78
080	Amortization—Miscellaneous	21,625.54
080	Interest on State Tax Deficiencies	113,000.00

Exhibit 1

080	Disqualifying Disposition of Stock Options Adjustment	244,521.06
08	Deductions Per Tax Not Per Books	158,031,096.34
09	Total of Lines 7 and 8	488,171,205.47
10	Income (Line 28 Page 1)—Line 6 less 9	320,961,128.29—

Exhibit 1

FORM 1120—U. S. CORPORATION INCOME TAX RETURN

SCHEDULE L—BALANCE SHEETS

MOBIL OIL CORPORATION 13-5401570

	Assets	*Dec. 31, 1969*	*Dec. 31, 1970*
01	Cash	$ 76,229,713.04	$ 82,316,588.26
02A	Trade Notes and Accounts Receivable	581,507,384.41	555,065,601.11
02B	Less Allowance for Bad Debts	12,439.302.11—	12,174,818.44—
03	Inventories	375,535,874.85	408,436,103.33
04A	Obl. of U.S. and Instrumentalities	58,645,283.20	37,434,074.59
04B	Obl. of State, Subdivisions Thereof	2,794,011.51	1,090,063.51
05	Other Current Assets	131,406,952.11	463,865,349.62
07	Mortgage and Real Estate Loans	6,953,430.14	6,746,291.25
08	Other Investments	1,682,906,751.58	1,939,872,061.93
09A	Bldgs. and Other Fixed Depr. Assets	2,597,722,553.93	2,774,666,728.77
09B	Less Accumulated Depreciation	1,374,384,910.33—	1,466,828,329.86—
10A	Depletable Assets	292,360,724.00	314,855,951.00
10B	Less Accumulated Depletion	164,441,101.00—	175,658,525.00—
11	Land Net of Any Amortization	241,592,293.98	278,227,828.31

Exhibit 1

12A	Intangible Assets Amortizable Only	1,027,354,887.00	1,046,155,224.00
12B	Less Accumulated Amortization	607,467,352.00—	636,283,702.00—
13	Other Assets	62,035,648.65	46,741,068.71
14	Total Assets	4,978,312,842.96	5,664,527,559.09
	Liabilities and Stockholders Equity		
15	Accounts Payable	316,327,935.78—	335,913,888.44—
16	Mtges., Notes, Etc. Payable—Less 1 Yr.	61,141,175.96—	30,144,468.04—
17	Other Current Liabilities	207,378,793.21—	334,362,984.25—
19	Mtges., Notes, Etc. Payable—More 1 Yr.	295,527,676.67—	475,848,667.47—
20	Other Liabilities	341,267,675.68—	404,745,908.50—
21B	Capital Stock Common	770,177,017.50—	770,971,995.00—
22	Paid-in or Capital Surplus	637,635,494.90—	640,623,012.99—
23	Retained Earnings—Appropriated	402,910.00—	402,910.00—
24	Retained Earnings—Unappropriated	2,396,880,226.73—	2,732,306,656.51—
25	Less Cost of Treasury Stock	48,426,063.47	60,792,932.11
26	Total Liab. and Stockholders Equity	4,978,312,842.96—	5,664,527,559.09—

Exhibit 2

(Appellant's Vermont Corporate Income Tax Return for 1971)

[Filed June 27, 1974]

WASHINGTON SUPERIOR COURT

WASHINGTON COUNTY, STATE OF VERMONT

Docket No. C 13-74 Wnm

[TITLE OMITTED IN PRINTING]

(see opposite) ☞

Exhibit 2

VERMONT CORPORATE INCOME TAX RETURN

(Including Banking and Loan Franchise Tax Return)

1971

or Other Fiscal Year Beginning 1971

and Ending 1972

Mobil Oil Corporation
P. O. Box 900
Mobil Building
Dallas, Texas 75221

(PRINT OR TYPE COMPLETE NAME AND ADDRESS)

Name of Secretary or Clerk of Corporation
G. A. Birrell

Address of Secretary or Clerk
150 East 42nd Street

City, State, Zip Code of Secretary or Clerk
New York, New York 10017

Date Incorporated
8/10/1882

Principal Place of Activity in Vermont

First Licensed to Do Business in Vermont
2/2/1903

City and State Where Books Kept
New York, New York

State of Incorporation
New York

Principal Business Activity
Petroleum

In which of the past five years, if any, have Federal Audits of the corporation's income tax returns resulted in assertions of deficiencies? None

1. Federal Taxable Income (Fed. 1120, Line 30 or 1120S, Line 28) See Sch. Attached		($21,832,840.91)
2. Less: (a) Interest on U. S. Government Obligations	$1,235,832.40	
(b) "Gross-Up" (only) of Foreign Dividends required by IRC Sec. 78 and included in Line 1 above		1,235,832.40
(Corps. subject to Franchise Tax leave Line (a) blank.)		
3. Vermont Net Income (Line 1 less Line 2)		(23,068,673.31)

Exhibit 2

4. Vermont Allocation %—From Schedule where applicable		.173647%
5. Net Income Allocable to Vermont (Line 3 x Line 4)		(40,058.06)
6. Subchapter 'S' Corps. enter here income distributed or distributable to Shareholders not residents of Vermont	$.....	
7. Vermont Tax Rate (Reg. Corps. apply to Line 5—Sub 'S' Corps. apply to Line 6—enter on Line 8)		6%
8. Vermont Tax (Not less than $25.00)	$	—0—
9. Less Previous Payments		750.00
10. Balance Due or Overpayment		(750.00)

The tax due on Line 8, if $500 or less, is payable in full on the statutory due date of the return—if more than $500., one-half is payable on the statutory due date and the balance 90 days thereafter. Make checks payable to "Vermont Department of Taxes."
The return is due not later than the 15th day of the third month following the end of the Corporation's taxable year.
ATTACH A COPY of the U.S. Corporation return (Form 1120 or 1120S) and all supporting schedules. See Instructions. Mail to Vermont Dept. of Taxes, Montpelier, Vermont 05602.

SIGNATURE AND VERIFICATION

I declare under the penalties of perjury that this return (including any accompanying schedules and statements) has been examined by me and to the best of my knowledge and belief is a true, correct, and complete return.

CORPORATE SEAL	9/19/72	Original Signed By A. B. HUCKABEE, JR.	Assistant Secretary
	(Date)	(Signature of Officer)	(Title)

I declare under the penalties of perjury that I prepared this return for the taxpayer named herein; and that this return (including any accompanying schedules and statements) is, to the best of my knowledge and belief, a true, correct, and complete return based on all information relating to the matters required to be reported in this return of which I have any knowledge.

.....	.....	.....
(Date)	(Individual or firm signature)	(Address)

Exhibit 2

CORPORATION ALLOCATION SCHEDULE

	Everywhere	*Vermont*	*Vermont as % of Everywhere*
1. Sales, Receipts, Charges for Services ..... (See Instructions)	$3,889,353,228	$9,175,931	.235924%
2. SALARIES AND WAGES	$	$	
2(a). Executive Officers' Salaries			
2(b). Balance (Line 2 less Line 2(a))	$ 400,087,593	$ 244,577	.061131%

3. PROPERTY (from balance sheet or reconciled schedule)

3(a). **Everywhere**

	**Beginning of Year*	*End of Year*
Inventory	$.....	$.....
Net Depreciable Assets	.....	.....
Land	.....	.....
Other (Specify)	.....	.....
Sub Totals	$2,543,571,279	$2,662,781,450
Average of Sub Totals	$2,603,176,365	
Rented Property (capitalized by 8)	392,773,760	
Total Property Everywhere	$2,995,950,125	

Exhibit 2

3(b). **Vermont**

	**Beginning of Year*	*End of Year*
Inventory	$.....	$ .....
Net Depreciable Assets	.....	.....
Land	.....	.....
Other (Specify)	.....	.....
Sub Totals	$ 3,802,547	$ 3,971,257
Average of Sub Totals		$ 3,386,902
Rented Property (capitalized by 8)		2,820,632
Total Vermont Property		$ 6,707,534

3(c). **Vermont Property as percent of Property Everywhere** ..... .223887%

4. TOTAL OF THE THREE PERCENTAGES (Vermont as % of Everywhere) ABOVE ..... .520942

5. VERMONT ALLOCATION PERCENTAGE (Line 4 div. by 3) .... .173647%

* If less than full year, see instructions.

Exhibit 2

MOBIL OIL CORPORATION
VERMONT CORPORATION INCOME TAX RETURN

Year 1971

Federal Taxable Income		308,253,570.02
Less:		
Non-Apportionable Income		
Dividends	282,817,008.65	
Interest	12,609,826.23	
Foreign Taxes	34,659,576.05	
		330,086,410.93
		(21,832,840.91)

Exhibit 2

1971—FORM 1120—U.S. CORPORATION INCOME TAX RETURN
YEAR ENDED DECEMBER 31, 1971

MOBIL OIL CORPORATION 13-5401570

GROSS INCOME

01	Gross Receipts or Gross Sales	$4,448,278,886.01—
02	Less Cost of Goods Sold	2,649,554,939.73
03	Gross Profit	1,798,723,946.28
04	Dividends Schedule C	387,846,897.82—
05	Interest on U.S. Obligations	1,235,832.40—
06	Other Interest	33,419,652.59—
07	Gross Rents	56,443,036.35—
08	Gross Royalties	3,213,527.93—
09A	Net Capital Gains—Separate Schedule D	17,756,170.46—
09B	Ordinary Gain or (Loss)—Part II, Form 4797	3,534,271.66—
10	Other Income	4,246,815.76—
11	Total Income Lines 3 through 10	2,306,420,151.25—

DEDUCTIONS

12	Compensation of Officers Schedule E	
13	Salaries and Wages Not Deducted Elsewhere	243,600,335.10
14	Repairs	148,414,998.30
15	Bad Debts	27,895,239.45
16	Rents	124,727,709.51
17	Taxes	752,679,076.39

Exhibit 2

18	Interest	32,713,879.51
19	Contributions	596,153.09
20	Amortization	830,384.54
21	Depreciation	50,858,569.52
22	Depletion	95,829,081.00
23	Advertising	38,209,721.00
24	Pension, Profit-Sharing, etc. Plans	41,363,638.85
25	Employee Benefit Programs	17,036,462.73
26	Other Deductions	318,381,443.07
27	Total Deductions Lines 12 through 26	1,893,136,692.06
28	Taxable Income Subtotal Line 11 less Line 27	413,283,459.19—
29B	85 PCT of Domestic Corporation Dividends	105,029,889.17
30	Taxable Income Line 28 Less Line 29	308,253,570.02—

Exhibit 2

1971—FORM 1120—U.S. CORPORATION INCOME TAX RETURN

SCHEDULE M-1 RECONCILIATION OF INCOME PER BOOKS WITH INCOME PER RETURN
YEAR ENDED DECEMBER 31, 1971

MOBIL OIL CORPORATION 13-5401570

01	Net Income Per Books	$812,513,535.59—
02	Federal Income Tax	27,777,000.00—
040	Receipt of Dividends Accrued in Prior Years	33,866,112.18—
040	Gross-Up of Foreign Dividends (Section 78)	308,171.00—
040	Record Section 1245 Income	3,892.78—
040	Adjust Partnership Income	199,827.00—
040	Adjustment of Advance Payments	6,438,547.00—
040	Miscellaneous Other Adjustments	806,684.41—
040	Record Additional Dividend Income	14,680,751.00—
04	Taxable Income Not Recorded on Books This Yr.	56,303,985.37—
050	Adjust Current Provision for Foreign Taxes	34,659,576.05—
050	Federal Power Commission Reserve Adjustment	1,116,000.00—
050	Unallowable Amortization of Non-Producing Properties	31,890,425.00—
050	Unallowable Amortization of Intangible Drilling Costs	36,077,867.00—
050	Exploration Expenses Capitalized	3,000,000.00—
050	Unallowable Provision for Deferred Income Taxes	462,000.00—

Exhibit 2

050	Unallowable Legislative Department Expenses	4,452.80—
050	Adjust Vacation Pay	28,559.28—
050	Adjust Incentive Bonus	1,149,210.50—
050	Unallowable Accrued Anticipated Losses	24,398,887.49
050	Exchange Gain or Loss	361,963.08—
050	Adjustment of Advance Payments	590,216.00—
050	Allocation of Expenses Charged to Other Companies	789,848.33—
050	Miscellaneous Other Adjustments	738,663.00—
05	Expenses Per Books Not Per Tax	86,469,893.55—
06	Total of Lines 1 Through 5	983,064,414.51—
070	Accrued Dividend Income Not Received	15,940,951.07
070	Adjustment of Sales for Take Or Pay Contracts	1,426,498.78
070	Eliminate Interest on State and Municipal Obligations	82,298.65
070	Deferral of Blocked Income	216,365.92
070	Elimination of Profit on Mobil Bonds	1,215,549.13
070	Adjustment on Disposal of Section 1231 Property	161,621.86
070	Adjust Partnership Income	6,783.51
070	Consolidation Dividend Elimination	382,409,728.68
070	Dissolution Gains and Losses	1,553,626.87
07	Income Per Books Not Per Tax	403,013,424.47
080	Adjust Reserve for Bad Debts	985,663.58
080	Amortization of Initial Bad Debt Reserve	424,140.00

Exhibit 2

080	Adjust Reserve for Retirement and Separation Benefits	5,042,242.52
080	Adjustment of Sales of Securities	2,370,303.76—
080	Adjust Partnership Income	119,328.84
080	Depreciation	15,066,960.78
080	Depletion	97,696,503.65

Exhibit 2

1971—FORM 1120—U.S. CORPORATION INCOME TAX RETURN

SCHEDULE M-1 RECONCILIATION OF INCOME PER BOOKS WITH INCOME PER RETURN
YEAR ENDED DECEMBER 31, 1971

MOBIL OIL CORPORATION 13-5401570

080	Adjust Vacation Pay	227,000.00
080	Interest on U.S. Deficiencies	1,906,023.36
080	Intangible Drilling Expenses	30,409,091.00
080	Abandonment of Wells and Leases	12,411,729.34
080	Writeoff Prior Years Exploration Expenses Capitalized	1,500,000.00
080	Adjustment of Capitalized Lifting Costs	1,413,410.00
080	Excess of FMV Over Basis of Property Donated	32,790.00
080	Adjustment of Advance Payments	472,836.00
080	Miscellaneous Other Adjustments	127,224.67
080	Amortization—Miscellaneous	21,625.54
080	Interest on State Tax Deficiencies	147,956.55
080	Disqualifying Disposition of Stock Options Adjustment	324,549.78
080	Mine Development Expenditures	808,759.00
08	Deductions Per Tax Not Per Books	166,767,530.85
09	Total of Lines 7 and 8	569,780,955.32
10	Income (Line 28, Page 1)—Line 6 Less 9	413,283,459.19—

Exhibit 2

1971—FORM 1120—U.S. CORPORATION INCOME TAX RETURN

SCHEDULE L—BALANCE SHEETS

MOBIL OIL CORPORATION 13-5401570

	Assets	Dec. 31, 1970	Dec. 31, 1971
01	Cash	$ 82,316,588.26	$ 79,387,192.28
02A	Trade Notes and Accounts Receivable	555,065,601.11	535,824,047.22
02B	Less Allowance for Bad Debts	12,174,818.44—	16,351,695.72—
03	Inventories	408,436,103.33	424,230,096.91
04A	Obl. of U.S. and Instrumentalities	37,434,074.59	797,618.12
04B	Obl. of State, Subdivisions Thereof	1,090,063.51	
05	Other Current Assets	463,865,349.62	395,528,309.37
07	Mortgage and Real Estate Loans	6,746,291.25	3,515,419.55
08	Other Investments	1,939,872,061.93	2,563,568,400.58
09A	Bldgs. and Other Fixed Depr. Assets	2,774,666,728.77	2,925,380,712.59
09B	Less Accumulated Depreciation	1,466,828,329.86—	1,520,498,218.46—
10A	Depletable Assets	314,855,951.00	349,079,232.00
10B	Less Accumulated Depletion	175,658,525.00—	184,290,663.00—
11	Land Net of Any Amortization	278,227,828.31	309,141,456.51

Exhibit 2

12A	Intangible Assets Amortizable Only	1,046,155,224.00	1,035,691,550.00
12B	Less Accumulated Amortization	636,283,702.00—	675,952,717.00—
13	Other Assets	46,741,068.71	45,305,860.55
14	Total Assets	5,664,527,559.09	6,270,356,601.50
	Liabilities and Stockholders' Equity		
15	Accounts Payable	335,913,888.44—	319,181,621.64—
16	Mtges., Notes, etc., Payable—Less 1 Yr.	30,144,468.04—	31,661,053.23—
17	Other Current Liabilities	334,362,984.25—	290,380,908.70—
19	Mtges., Notes, etc., Payable—More 1 Yr.	475,848,667.47—	664,258,179.72—
20	Other Liabilities	404,745,908.50—	317,819,770.16—
21B	Capital Stock Common	770,971,995.00—	772,696,440.00—
22	Paid-In or Capital Surplus	640,623,012.99—	648,738,926.35—
23	Retained Earnings—Appropriated	402,910.00—	402,910.00—
24	Retained Earnings—Unappropriated	2,732,306,656.51—	3,286,016,587.45—
25	Less Cost of Treasury Stock	60,792,932.11	60,799,795.75
26	Total Liabilities and Stockholders Equity	5.664,527,559.09—	6,270,356,601.50—

Exhibit 3

(Appellant's Vermont Corporate Income Tax Return for 1972)

[Filed June 27, 1974]

WASHINGTON SUPERIOR COURT

WASHINGTON COUNTY, STATE OF VERMONT

Docket No. C 13-74 Wnm

[TITLE OMITTED IN PRINTING]

(see opposite) ☞

Exhibit 3

VERMONT CORPORATE INCOME TAX RETURN
(Including Banking and Loan Franchise Tax Return)

1972
or Other Fiscal Year Beginning 1972
and Ending 1973

Mobil Oil Corporation
P. O. Box 900
Mobil Building
Dallas, Texas 75221

(PRINT OR TYPE COMPLETE NAME AND ADDRESS)

Name of Secretary or Clerk of Corporation
G. A. Birrell

Address of Secretary or Clerk
150 East 42nd Street

City, State, Zip Code of Secretary or Clerk
New York, New York 10017

Date Incorporated
8-10-1882

Principal Place of Activity in Vermont

First Licensed to Do Business in Vermont
2-2-1903

City and State Where Books Kept
New York, New York

State of Incorporation
New York

Principal Business Activity
Petroleum

In which of the past five years, if any, have Federal Audits of the corporation's income tax returns resulted in assertions of deficiencies?

1. Federal Taxable Income (Fed. 1120, Line 30 or 1120S, Line 28) See Sch. Attached		$(89,963,133.10)
2. Less: (a) Interest on U. S. Government Obligations	$45,602.43	
(b) "Gross-Up" (only) of Foreign Dividends required by IRC Sec. 78 and included in Line 1 above		45,602.43
(Corps. subject to Franchise Tax leave Line (a) blank.)		
3. Vermont Net Income (Line 1 less Line 2)		(90,008,735.53)
4. Vermont Allocation %—From Schedule where applicable		.182151%

Exhibit 3

5. Net Income Allocable to Vermont (Line 3 x Line 4)		(163,951.81)
6. Subchapter 'S' Corps. enter here income distributed or distributable to Shareholders not residents of Vermont	$.....	
7. Vermont Tax Rate (Reg. Corps. apply to Line 5—Sub 'S' Corps apply to Line 6—enter on Line 8)		6%
8. Vermont Tax (Not less than $25.00)	$	25.00
9. Less Previous Payments		25.00
10. Balance Due or Overpayment		—0—

The tax due on Line 8, if $500 or less, is payable in full on the statutory due date of the return—if more than $500., one-half is payable on the statutory due date and the balance 90 days thereafter. Make checks payable to "Vermont Department of Taxes."

The return is due not later than the 15th day of the third month following the end of the Corporation's taxable year.

ATTACH A COPY of the U.S. Corporation return (Form 1120 or 1120S) and all supporting schedules. See Instructions. Mail to Vermont Dept. of Taxes, Montpelier, Vermont 05602.

SIGNATURE AND DECLARATION

I declare, under the penalties of perjury, that this return (including any accompanying schedules and statements) is true, and correct and complete to the best of my knowledge. If prepared by a person other than the taxpayer his declaration further provides that under 32 VSA 6001, this information has not been and will not be used for any other purpose, or made available to any other person, other than for the preparation of this return unless a separate valid consent form is signed by the taxpayer and retained by the preparer.

Original Signed By
A. B. HUCKABEE, JR. Assistant Secretary 7-25-73

Signature of Corporation Officer Title Date

Prepared by Company's Own Staff

Signature of Preparer Firm Name Date

Address of Preparer

FORM 104

Exhibit 3

CORPORATION ALLOCATION SCHEDULE

	Everywhere	*Vermont*	*Vermont as % of Everywhere*
1. Sales, Receipts, Charges for Services (See Instructions)	$4,049,824,161	$9,589,447	.236787%
2. SALARIES AND WAGES	$ 432,081,913	$ 254,938	
2(a). Executive Officers' Salaries	3,181,232	—0—	
2(b). Balance (Line 2 less Line 2(a)	$ 428,900,681	$ 254,938	.059440%

3. PROPERTY (from balance sheet or reconciled schedule)

3(a). **Everywhere**

	**Beginning of Year*	*End of Year*
Inventory	$.....	$.....
Net Depreciable Assets	.....	.....
Land	.....	.....
Other (Specify)	.....	.....
Sub Totals	$2,662,781,450	$2,864,792,471

Average of Sub Totals	$2,763,786,961
Rented Property (capitalized by 8)	527,970,760
Total Property Everywhere	$3,291,757,721

Exhibit 3

3(b). **Vermont**

	**Beginning of Year*	*End of Year*
Inventory	$.....	$.....
Net Depreciable Assets	.....	.....
Land	.....	.....
Other (Specify)	.....	.....
Sub Totals	$ 3,971,257	$ 6,328,183

Average of Sub Totals	$ 5,149,720
Rented Property (capitalized by 8)	3,087,072
Total Vermont Property	$ 8,236,792

(c). **Vermont Property as percent of Property Everywhere** ..... .250225%

4. TOTAL OF THE THREE PERCENTAGES (Vermont as % of Everywhere) ABOVE ..... .546452

5. VERMONT ALLOCATION PERCENTAGE (Line 4 div. by 3) .... .182151%

* If less than full year, see instructions.

Exhibit 3

MOBIL OIL CORPORATION
VERMONT CORPORATION INCOME TAX RETURN

Year 1972

Federal Taxable Income (Line 30 of Federal 1120)		232,825,728.27
Less:		
Non-Apportionable Income		
Dividends	280,623,403.93	
Interest	3,905,208.04	
Foreign Taxes	38,260,249.40	
		322,788,861.37
		(89,963,133.10)

1972—FORM 1120

U. S. CORPORATION INCOME TAX RETURN

YEAR ENDED DECEMBER 31, 1972

MOBIL OIL CORPORATION 13-5401570

GROSS INCOME

01	Gross Receipts or Gross Sales	4,654,306,686.68—
02	Less Cost of Goods Sold	2,738,466,513.41
03	Gross Profit	1,915,840,173.27—
04	Dividends Schedule C	427,146,672.33—
05	Interest on U.S. Obligations	45,602.43—
06	Other Interest	30,167,877.91—
07	Gross Rents	59,611,160.61—
08	Gross Royalties	3,647,247.75—
09A	Net Capital Gains—Separate Schedule D	299,152.17—
09B	Ordinary Gain or (Loss)—Part II, Form 4797	3,070,413.64—
10	Other Income	5,038,693.89—
11	Total Income Lines 3 through 10	2,444,866,994.00—

DEDUCTIONS

12	Compensation of Officers Schedule E	
13	Salaries and Wages Not Deducted Elsewhere	257,531,200.16
14	Repairs	166,829,484.86
15	Bad Debts	19,891,235.76
16	Rents	133,232,840.85
17	Taxes	829,894,691.74

Exhibit 3

18	Interest	43,556,805.74
19	Contributions	1,096,208.90
20	Amortization	19,774.44
21	Depreciation	60,121,823.41
22	Depletion	102,976,724.75
23	Advertising	41,360,516.23
24	Pension, Profit-Sharing, Etc. Plans	27,278,935.32
25	Employee Benefit Programs	23,500,310.38
26	Other Deductions	358,227,444.79
27	Total Deductions Lines 12 throught 26	2,065,517,997.33
28	Taxable Income Subtotal Line 11 less Line 27	379,348,996.67—
29B	85 Pct. of Domestic Corporation Dividends	146,523,268.40
30	Taxable Income Line 28 less Line 29	232,825,728.27—

Exhibit 3

1972—FORM 1120—U.S. CORPORATION INCOME TAX RETURN

SCHEDULE M-1 RECONCILIATION OF INCOME PER BOOKS WITH INCOME PER RETURN

YEAR ENDED DECEMBER 31, 1972

MOBIL OIL CORPORATION 13-5401570

01	Net Income Per Books	716,235,689.79—
02	Federal Income Tax	8,054,587.32—
040	Receipt of Dividends Accrued in Prior Years	15,283,306.31—
040	Gross-Up of Foreign Dividends (Section 78)..	512,303.00—
040	Adjustment on Disposal of Section 1231 Property	1,532,395.92—
040	Miscellaneous Other Adjustments	18,645.62
04	Taxable Income Not Recorded on Books This Yr.	17,309,359.61—
050	Adjust Current Porvision for Foreign Taxes	38,260,249.40—
050	Federal Power Commission Reserve Adjustment	149,963.62
050	Adjust Partnership Income	245,342.00—
050	Unallowable Amortization of Non-Producing Properties	38,143,220.00—
050	Unallowable Amortization of Intangible Drilling Costs	35,554,339.00—
050	Unallowable Provision for Deferred Income Taxes	12,682,466.34—
050	Unallowable Legislative Department Expenses	4,124.92—
050	Adjust Incentive Bonus	540,454.77—

Exhibit 3

050	Unallowable Accrued Anticipated Losses	5,665,936.32—
050	Exchange Gain or Loss	951,730.54—
050	Adjustment of Advance Payments	597,346.00—
050	Allocation of Expenses Charged to Other Companies	359,971.75—
050	Miscellaneous Other Adjustments	2,101,931.59—
050	Adjust to Tax Loss on Sale of Colpet&Sagoc	814,194.72—
050	Capitalize BMI Royalty Payments	884,646.20—
05	Expenses Per Books Not Per Tax	136,655,989.93—
06	Total of Lines 1 through 5	878,255,626.65—
070	Accrued Dividend Income Not Received	44,177,396.40
070	Dividends Received as Return of Capital	826,804.42
070	Adjustment of Sales for Take or Pay Contracts	285,297.68
070	Federal Power Commission Reserve Adjustment	4,858,456.42
070	Eliminate Interest on State and Municipal Obligations	70,785.66
070	Deferral of Blocked Income	204,656.33
070	Elimination of Profit on Mobil Bonds	234,500.00
070	Adjust Partnership Income	65,442.00
070	Miscellaneous Other Adjustments	66,942.17
070	Consolidation Dividend Elimination	255,088,346.48
070	Dissolution Gains and Losses	456,402.00
070	Eliminate Gain on Sale of Treasury Stock	6,903.97

Exhibit 3

070	Deferred Intercompany Gains/Losses	4,372.38
07	Income Per Books Not Per Tax	306,346,305.91
080	Adjust Reserve for Bad Debts	3,579,702.00
080	Amortization of Initial Bad Debt Reserve	424,140.00
080	Adjust Reserve for Retirement and Separation Benefits	943,721.84
080	Federal Power Commission Reserve Adjustment	5,223,42
080	Adjust Partnership Income	71,885.64
080	Exploration Expenses Capitalized	5,000,000.00—
080	Depreciation	16,442,501.68
080	Depletion	96,303,526.75
080	Adjust State and Local Franchise and Income Taxes	994,058.49
080	Interest on U.S. Deficiencies	1,301,723.94
080	Intangible Drilling Expenses	39,167,631.00
080	Abandonment of Wells and Leases	25,649,363.00
080	Writeoff Prior Years Exploration Expenses Capitalized	1,800,000.00
080	Adjustment of Capitalized Lifting Costs	606,442.00
080	Exchange Gain or Loss	2,994,058.50
080	Excess of FMV Over Basis of Property Donated	474,515.00
080	Adjustment of Advance Payments	1,896,868.00
080	Miscellaneous Other Adjustments	218,252.00

Exhibit 3

080	Amortization—Miscellaneous	21,029.44
080	Interest on State Tax Deficiencies	248,734.80
080	Disqualifying Disposition of Stock Options Adjustment	383,164.69
080	Mine Development Expenditures	1,255.00—
080	Dissolution Gains and Losses	24,229.88
080	Settlement of India Aid Claim	2,800,000.00
080	Share of National Corp. for Housing Partnership Loss	17,520.00
080	Commission re: Disc Sales	128,884.00
080	Adjust for Proceeds from Nonrecourse Loan	1,064,403.00
08	Deductions Per Tax Not Per Books	192,560,324.07
09	Total of Lines 7 and 8	498,906,629.98
10	Income (Line 28 Page 1)—Line 6 less 9	379,348,996.67—

Exhibit 3

1972—FORM 1120
U. S. CORPORATION INCOME TAX RETURN

SCHEDULE L—BALANCE SHEETS

MOBIL OIL CORPORATION 13-5401570

	Assets	*Dec. 31, 1971*	*Dec. 31, 1972*
01	Cash	79,387,192.28	67,040,496.12
02A	Trade Notes and Accounts Receivable	535,824,047.22	610,822,440.02
02B	Less Allowance for Bad Debts	16,351,695.72—	16,161,241.96—
03	Inventories	424,230,096.91	405,914,665.04
04A	Obl. of U.S. and Instrumentalities	797,618.12	292,618.12
05	Other Current Assets	395,528,309.37	207,276,466.09
07	Mortgage and Real Estate Loans	3,515,419.55	3,723,530.58
08	Other Investments	2,563,568,400.58	3,065,533,179.60
09A	Bldgs. and Other Fixed Depr. Assets	2,925,380,712.59	3,116,590,757.17
09B	Less Accumulated Depreciation	1,520,498,218.46—	1,612,160,901.24—
10A	Depletable Assets	349,079,232.00	347,510,498.00
10B	Less Accumulated Depletion	184,290,663.00—	201,353,552.00—
11	Land Net of Any Amortization	309,141,456.51	344,390,608.18

Exhibit 3

12A	Intangible Assets Amortizable Only	1,035,691,550.00	1,173,552,472.00
12B	Less Accumulated Amortization	675,952,717.00—	709,652,076.00—
13	Other Assets	45,305,860.55	50,063,882.78
14	Total Assets	6,270,356,601.50	6,853,383,842.50
	Liabilities and Stockholders Equity		
15	Accounts Payable	319,181,621.64—	326,315,731.64—
16	Mtges., Notes, Etc. Payable—Less 1 Yr.	31,661,053.23—	41,477,857.49—
17	Other Current Liabilities	290,380,908.70—	325,653,326.18—
19	Mtges., Notes, Etc. Payable—More 1 Yr.	664,258,179.72—	641,559,204.73—
20	Other Liabilities	317,819,770.16—	415,828,020.82—
21B	Capital Stock Common	772,696,440.00—	774,166,755.00—
22	Paid-in or Capital Surplus	648,738,926.35—	655,853,184.54—
23	Retained Earnings—Appropriated	402,910.00—	402,910.00—
24	Retained Earnings—Unappropriated	3,286,016,587.45—	3,732,903,503.44—
25	Less Cost of Treasury Stock	60,799,795.75	60,776,651.34
26	Total Liab. and Stockholders Equity	6,270,356,601.50—	6,853,383,842.50—

Exhibit 8

(Appellant's Source of Dividend Income Schedule)

[Record of Tax Department—Exhibit 8, Filed June 27, 1974]

WASHINGTON SUPERIOR COURT

WASHINGTON COUNTY, STATE OF VERMONT

Docket No. C 13-74 Wnm

[TITLE OMITTED IN PRINTING]

(see opposite) ☞

Exhibit 8

MOBIL OIL CORPORATION

SOURCE OF DIVIDEND INCOME

Payor Corporation	Mobil's % of stock ownership	Amount of Dividends 1970	1971	1972
Foreign Source Dividend Income				
Foreign Incorporated Subsidiaries Operating In Foreign Countries				
Bayerische Mineral Industrie A.G.	92	$ 329,289	$ 399,672	$ 696,970
Mobil Marine Transportation Limited	100	49,600,000	151,800,000	167,400,000
Mobil Oil Cameroun	100	486,519	358,961	123
Mobil Oil Congo S.C.R.L.	100	269,553		
Mobil Oil de Canarias S.A.	100	580,000		560,606
Mobil Oil de L'Afrique Equatoriale	100	251,389	424,857	267,490
Mobil Oil de L'Afrique Occidentale	100	972,172	1,101,722	1,377,644
Mobil Oil de Mexico S.A.	100	400,000	800,000	749,530
Mobil Oil do Brasil (I.eC.) Ltda.	97	595,546	1,180,952	1,315,019
Mobil Oil Ghana Ltd.	100	175,102		
Mobil Oil Iraq with Limited Liability	100	45,025,000	71,200,000	51,300,000
Mobil Oil Maroc	83	405,642	500,352	396,183
Mobil Oil Oy AB	100	1,028,467	1,057,164	456,407
Mobil Oil Portuguesa S.A.R.L.	100	3,130,006	3,130,142	3,284,506
Mobil Oil Sudan Limited	100	1,758,732		
Pegasus Overseas Limited	100	51,000,000	25,200,000	8,937,900
Compania Anonima de Petroles Socony	100		2,716,955	
Mobil Chemical International S.A.	100		2,450,000	
Mobil Oil Egypt (S.A.A.)	100		704,467	731,259
Mobil Oil Rwanda-Burundi (S.A.R.L.)	100		20,000	20,028
Mobil Oil Zaire	100		529,506	608,454
Mobil Overseas Finance Corporation N.V.	100		200,000	1,134,250
Colombianos Distribuidores de Combustibles, S.A.	74			
Mobil Oil Nigeria Limited	100			1,454,454
Mobil Petroleum Supply Company, S.A.	100			19,421
Mobil Tankers Company S.A.	100			9,100,000
Total		$156,007,917	$263,774,750	$250,419,901

Exhibit 8

MOBIL OIL CORPORATION

SOURCE OF DIVIDEND INCOME

Payor Corporation	Mobil's % of stock ownership	Amount of Dividends 1970	1971	1972
Totals Forward From Page 1		$156,007,917	$263,774,750	$250,419,901
Foreign Incorporated Non-Subsidiaries Operating in Foreign Countries				
C. A. Venezuelano de Dessarollo	Under 5	10,114	9,999	10,219
S. A. Concessionaira de Refinaco de Petroleos en Portugal (S.A.C.O.R.)	Under 5	27,733	28,801	
Societe Afraicaine de Raffinage	12		100,107	36,934
Societe Equatoriale de Raffinage	12		60,495	56,000
Abu Dhabi Petroleum Company Limited	12			976,053
Basrah Petroleum Company Limited	12			1,759,685
Gelsenkirchenerbergawerke A.G.	Under 5			6,207
Monrovia Port Management Co. (Liberia) Ltd.	12			13,000
Qatar Petroleum Company Limited	12			976,054
Total		$ 37,847	$ 199,401	$ 3,834,152
Gross-Up of Foreign Dividends				
Bayerische Mineral Industrie A.G.	72	350,931		
Mobil Marine Transportation Limited	100	3,928		
Total		$ 354,859		
U. S. Incorporated Non-Subsidiaries Operating In Foreign Countries				
Arabian American Oil Company	10	115,132,195	122,085,779	170,149,070
Colombian Petroleum Company	50	1,748,005	249,715	314,042
Mediterranean Refining Company	50	100,000		
South American Gulf Oil Company	50	400,000	250,000	1,122,900
Monrovia Port Management Company	12	27,000		
		117,407,200	122,585,494	171,586,012
Less: 85% Dividend Received Deduction		99,796,120	104,197,670	145,848,110
Total—Net		17,611,080	18,387,824	25,737,902
Total Foreign Source Dividend Income Subjected to Vermont Income Tax		$174,011,703	282,361,975	279,991,955

Exhibit 8

MOBIL OIL CORPORATION

SOURCE OF DIVIDEND INCOME

Payor Corporation	Mobil's % of stock ownership	Amount of Dividends 1970	1971	1972
Totals Forward From Page 2		$174,011,703	$282,361,975	$279,991,956
U. S. Source Dividend Income				
U. S. Incorporated Non-Subsidiaries Operating in the U. S.				
Baltimore Gas & Electric	Under 5	21,600	10,800	
Belridge Oil Company	18	427,016	427,466	320,600
Bank of New York	Under 5	1,092	2,537	2,537
Business Development Corporation of N. C.	"	391	27	27
Cincinnati Gas & Electric	"	3,800	2,137	
Connecticut Gas & Power	"	28,237	26,734	27,484
Canner's Steam Company, Inc.	14	6,408		4,482
Continental Oil and Asphalt Company	Under 5	3	3	3
Dallas Power & Light	"	40,032	20,108	
Dayton Power & Light	"	29,920	14,960	
Duke Power Company	"	28,237	32,182	11,491
Duquesne Light Company	"	18,668	4,150	
Florida Power Corporation	"	22,260	16,355	3,325
General Royalties	"	819	741	741
Gulf States Utilities Company	"	11,250	17,461	20,072
Hartford Electric Light Company	"	2,700	2,010	2,640
Houston Lighting and Power Company	"	84,000	36,288	
Illinois Power Company	"	4,700	3,055	
Monongahela Power Company	"	11,932	5,966	
Natural Gas Pipeline Company	"	3,706		
Northern Indiana Public Service Company	"	9,000	4,480	
Northern State Power Company	"	88,300	69,550	13,300
Pacific Gas and Electric Company	"	10,500	17,139	30,951
Pacific Lighting Corporation	"	18,704	7,867	57,376
Public Service Electric & Gas Company	"	10,560	42,894	63,960
Rochester Gas & Electric Company	"	37,594	38,872	22,125
San Diego Gas & Electric Company	"	3,520	4,840	
Southern California Edison Company	"	31,753	22,458	
Texas Electric Service Company	"	4,760		
Texas Power & Light Company	"	29,250	21,315	7,260
Union Electric Company	"	11,624	5,024	6,400
United Illuminating Company	"	28,125	28,125	
West Penn Power Company	"	33,420	31,773	
Sub-totals Forward		$ 1,063,881	$ 917,317	$ 594,774

Exhibit 8

MOBIL OIL CORPORATION

SOURCE OF DIVIDEND INCOME

Payor Corporation	Mobil's % of stock ownership	Amount of Dividends 1970	1971	1972
Totals Forward From Page 2		$174,011,703	$282,361,975	$279,991,955
U. S. Source Dividend Income				
U. S. Incorporated Non-Subsidiaries Operating in the U. S.				
Sub-totals Forward From Page 3		1,063,881	917,317	594,774
Atlantic City Electric Company	Under 5		2,850	11,400
Brooklyn Union Gas Company	"		2,961	6,020
Delmarva Pipe Line Company	"		35,720	71,440
Detroit Edison Company	"		3,840	42,430
Felix Oil Company	13	1,903	748	
Iowa-Illinois Gas & Electric Company	Under 5		1,870	7,500
Indiana & Michigan Electric Company	"		7,080	10,620
Philadelphia Electric Company	"		2,320	4,640
Public Service Company of Colorado	"		4,375	17,500
Dixie Pipe Line Company	5	63,350		
Cook Inlet Pipe Line Company	20	200,000		
New York Incorporated Corporation				27,980
		1,329,134	979,081	794,304
Less: 85% Dividend Received Deduction		1,129,764	832,219	675,158
Total U. S. Source Dividend Income Subjected to Vermont Income Tax		199,370	146,862	119,146
Grand Total Dividend Income Subjected to Vermont Income Tax		$174,211,073	$282,508,837	$280,111,101
Reconciliation to Amounts Deducted From Vermont Income Tax Returns				
Totals, as above		174,211,073	282,508,837	280,111,101
Gross-Up of Foreign Dividends			308,171	512,303
Amounts Deducted From Vermont Returns		$174,211,073	$282,817,008	$280,623,404

Exhibit 17

(Appellant's Proposed Stipulation of Facts)

[Record of Tax Department—Exhibit 17]
Filed June 27, 1974

WASHINGTON SUPERIOR COURT

WASHINGTON COUNTY, STATE OF VERMONT

Docket No. C 13-74 Wnm

[TITLE OMITTED IN PRINTING]

STIPULATION OF FACTS

IT IS HEREBY STIPULATED AND AGREED by and between counsel for the parties hereto that the following statements shall be accepted as facts for the purpose of this proceeding and all exhibits referred to herein and attached hereto are incorporated in this stipulation and made a part hereof, provided, however, that either party may introduce other and further evidence not inconsistent with the facts herein stipulated. Unless specifically stated to the contrary herein, all facts stipulated are applicable for all the calendar years 1970, 1971 and 1972.

(1) Mobil is a New York corporation authorized to do business in the State of Vermont.

(2) Mobil filed Vermont corporate income tax returns for each calendar year 1970, 1971 and 1972. A true copy of said returns is attached as Exhibits 1, 2 3 respectively.

(3) The aforesaid returns were audited by the Department of Taxes, and assessments for additional tax in the respective principal amounts of $15,078.56, $31,205.52 and $25,359.69, for the years 1970, 1971 and 1972 were made against Mobil. True copies of said assessments are attached hereto as Exhibits 4, 5 and 6.

(4) Timely protests were filed by Mobil with the Commissioner of Taxes from all the aforesaid audit adjustments. A copy of the protest for the year 1972 is attached as Exhibit 7. All contentions made therein shall be deemed applicable to the years 1970 and 1971 as well as the year 1972.

(5) (a) With respect to the calendar year 1970, Mobil reported on its Vermont return its income as shown on line 30 of its U.S. corporation income tax return reduced by the following items: (1) dividends received by it from United States and foreign sources in the amount of $174,211,073 (including gross-up of foreign dividends of $354,859) paid by foreign subsidiary corporations and foreign and domestic nonsubsidiary corporations; (2) interest from United States and foreign sources, other than from U.S. government obligations, in the amount of $10,520,-793; and (3) foreign income taxes in the amount of $12,221,477. On audit the Vermont Department of Taxes disallowed and added back to apportionable income all of the above reductions.

(b) With respect to the calendar year 1971, Mobil reported on its Vermont return its income as shown on line 30 of the U.S. corporation income tax return reduced by the following items: (1) dividends received by it from United States and foreign sources in the amount of $282,817,-008 (including gross-up of foreign dividends of $308,171) paid by foreign subsidiary corporations and foreign and domestic nonsubsidiary corporations; (2) interest from U.S. and foreign sources, other than from U.S. government obligations, in the amount of $12,609,826; and (3) foreign income taxes in the amount of $34,659,576. On audit the Vermont Department of Taxes disallowed and added back to apportionable income all of the above reductions except gross-up on foreign dividends.

(c) With respect to the calendar year 1972, Mobil reported on its Vermont return its income as shown on line 30 of its U.S. corporation income tax return reduced by the following items: (1) dividends received by it from United States and foreign sources in the amount of $280,623,404 (including gross-up of foreign dividends of $512,303) paid by foreign subsidiary corporations and foreign and domestic nonsubsidiary corporations; (2) interest from United States and foreign sources, other than from U.S. government obligations, in the amount of $3,905,208; and (3) foreign income taxes in the amount of $38,260,249. On audit the Vermont Department of Taxes disallowed and added back to apportionable income all of the above reductions except gross-up on foreign dividends.

(6) Mobil is engaged in the petroleum business in the United States, including exploration, production, refining, transportation, distribution and sale of petroleum and petroleum products. In addition Mobil conducts petro-chemical, chemical coatings, plastics and phosphate rock mining businesses in the United States.

(7) Mobil's corporate headquarters, principal place of business and commercial domicile are not in Vermont but are located at 150 East 42nd Street, New York, New York. Mobil's business is not managed, controlled or directed from the State of Vermont.

(8) Mobil does business in all of the states of the United States, the District of Columbia, has a small branch in Greece and engages in interstate and foreign commerce. Mobil is subject to net income taxes or franchise taxes measured by net income imposed by some forty other states and the District of Columbia.

(9) Mobil's only activity within the State of Vermont is the wholesale and retail marketing of petroleum products and related products. Mobil has no refineries or oil or gas production within the State of Vermont.

(10) Mobil owns directly and indirectly capital stock of a large number of foreign subsidiary and domestic and foreign nonsubsidiary corporations. At December 31*st* of each year Mobil owned directly or indirectly capital stock of foreign subsidiary and 5% or more of domestic and foreign nonsubsidiary corporations as follows:

	1970	*1971*	*1972*
Foreign Subsidiary Corporations	203	208	216
Domestic Nonsubsidiary Corporations	26	27	27
Foreign Nonsubsidiary Corporations	185	189	197

(11) The aforementioned capital stocks were held, managed and controlled by Mobil from its offices outside Vermont. Payment of all dividends was received by Mobil outside Vermont and Mobil's control, use and disposition of such dividends were managed and directed from Mobil's offices outside Vermont.

(12) There is attached as Exhibit 8 a schedule of Mobil's dividend income for the years 1970 through 1972 subjected to tax by the assessments of the Department of Taxes of the State of Vermont.

(13) The percentage that Mobil's federal taxable dividends bears to its federal taxable income as shown by line 30 of Mobil's U.S. Corporation Income Tax Returns is as follows:

	Taxable Dividends	*Taxable Income*	*Percentage*
1970	$174,211,073	$220,035,244	79%
1971	$282,817,008	$308,253,570	92%
1972	$280,623,404	$232,825,728	121%

(14) The percentage that Mobil's federal taxable foreign source dividends bears to federal taxable income as shown by line 30 of Mobil's U.S. Corporation Income Tax Return is as follows:

	Taxable Dividends	*Taxable Income*	*Percentage*
1970	$174,011,703	$220,035,244	79%
1971	$282,361,975	$308,253,570	92%
1972	$279,991,955	$232,825,728	120%

Exhibit 17

(15) There are attached as Exhibits 9, 10, 11, 12, 13 and 14 Mobil's Annual Report and Financial and Operating Statistics for the years 1970, 1971 and 1972. Mobil's Annual Report and Financial and Operating Statistics reported the financial results of, and operating statistics regarding the business of Mobil, its United States and foreign operating subsidiaries and, on an equity accounting basis, certain United States and foreign nonsubsidiary "affiliated companies" owned 50% or less. The affiliated companies included in such reports are set forth in Exhibit 15.

(16) As shown in Exhibits 9 through 14, the shareholder's equity (net worth stated on a book basis) of Mobil, its United States operating subsidiaries and United States consolidated affiliates compared with shareholder's equity in Mobil's foreign operating subsidiaries and foreign operating consolidated affiliates was as follows stated in millions:

	1970	*1971*	*1972*
U.S.	$2,513	$2,543	$2,666
Foreign	2,027	2,289	2,479
Total	4,540	4,832	5,145
% Foreign	45%	47%	48%

(17) The number of U.S. employees of Mobil and its U.S. operating subsidiaries compared with the number of foreign employees of Mobil's foreign operating subsidiaries at year end was as follows:

Exhibit 17

	1970	*1971*	*1972*
U.S. Employees	38,900	38,400	38,500
Foreign Employees	36,700	36,900	36,900
Total	75,600	75,300	75,400
% Foreign	49%	49%	49%

(18) The amount (in thousands barrels daily) of net production of crude oil and crude oil gas liquids by Mobil and its sole U.S. oil and gas operating subsidiary (Northern Natural Gas Producing Company) in the United States compared with net production of crude oil and crude oil gas liquids by Mobil's foreign operating subsidiaries and Mobil's share in foreign consolidated affiliates was as follows:

	1970	*1971*	*1972*
U.S.	385	389	394
Foreign	1,188	1,346	1,517
Total	1,573	1,735	1,911
% Foreign	76%	78%	79%

(19) The amount (in thousands barrels daily) of production of natural gas liquids in the U.S. plants of Mobil and its sole U.S. oil and gas operating subsidiary (Northern Natural Gas Producing Company) compared with production of natural gas liquids in the foreign plants of Mobil's foreign operating subsidiaries and Mobil's share in foreign consolidated affiliates was as follows:

Exhibit 17

	1970	*1971*	*1972*
U.S.	62	72	75
Foreign	15	15	18
Total	77	87	93
% Foreign	19%	17%	19%

(20) The amount (in million cubic feet daily) of gross production of natural gas by Mobil and its sole U.S. oil and gas operating subsidiary (Northern Natural Gas Producing Company) compared with gross production of natural gas by Mobil's foreign operating subsidiaries and Mobil's share in foreign consolidated affiliates was as follows:

	1970	*1971*	*1972*
U.S.	2,783	2,853	2,763
Foreign	596	692	832
Total	3,379	3,545	3,595
% Foreign	18%	20%	23%

(21) The amount (in thousands barrels daily) of refinery runs by Mobil in the U.S. compared with foreign refinery runs by Mobil's foreign operating subsidiaries and Mobil's share in foreign consolidated affiliates was as follows:

	1970	*1971*	*1972*
U.S.	818	813	856
Foreign	1,186	1,268	1,378
Total	2,004	2,081	2,234
% Foreign	59%	61%	62%

Exhibit 17

(22) The amount of petroleum products (in thousands barrels daily) sold by Mobil and its U.S. operating subsidiaries in the United States compared with petroleum products sold by Mobil's foreign operating subsidiaries and Mobil's share of sales by foreign consolidated affiliates outside the U.S. was as follows:

	1970	*1971*	*1972*
U.S.	929	948	1,004
Foreign	1,216	1,300	1,405
Total	2,145	2,248	2,409
% Foreign	57%	58%	58%

(23) The number of deep-sea vessels owned or chartered by Mobil versus the number of foreign deep-sea vessels owned or chartered by Mobil's foreign operating subsidiaries and foreign consolidated affiliates was as follows:

	1970	*1971*	*1972*
U.S.	14	9	10
Foreign	110	120	129
Total	124	129	139
% Foreign	89%	93%	93%

(24) The number of chemical plants and facilities owned by Mobil all of which are located in the U.S. compared with the number of foreign plants and facilities owned by Mobil's foreign operating subsidiaries and foreign consolidated affiliates was as follows:

Exhibit 17

	1970	*1971*	*1972*
U.S.	36	36	37
Foreign	13	16	16
Total	49	52	53
% Foreign	27%	31%	30%

(25) None of the corporations listed in Exhibit 8 which are 5% or more owned by Mobil is organized under the laws of Vermont, did business in Vermont, owned or leased property in Vermont, maintained an office in Vermont, had employees in Vermont or derived income from sources in Vermont. With respect to the corporations listed in Exhibit 8 as to which Mobil owns less than 5%, to the best of Mobil's knowledge and information the foregoing statements likewise apply.

(26) More than 99% of the dividends here in issue were received from corporations deriving all or all but an insignificant portion of their income from sources outside the United States.

(27) None of the foreign incorporated subsidiaries or foreign incorporated nonsubsidiaries which are 5% or more owned by Mobil listed in Exhibit 8 did business in the United States, owned or leased property in the United States, maintained an office in the United States, had employees in the United States or derived any income from the United States. With respect to the foreign incorporated nonsubsidiaries listed in Exhibit 8 as to which Mobil owns less than 5%, to the best of Mobil's knowledge and information the foregoing statements likewise apply.

Exhibit 17

(28) The Arabian American Oil Company ("Aramco") is incorporated in the State of Delaware, and derived all of its operating income from sources outside the United States in the conduct of a petroleum business in Saudi Arabia. Mobil owned 10% of the capital stock of Aramco. Aramco received investment income from United States sources which constituted less than one-tenth of one percent of its gross or net income. Aramco conducted no business in Vermont, owned or leased no property in Vermont, maintained no office in Vermont, had no employees in Vermont and derived no income from sources in Vermont.

(29) The Colombian Petroleum Company ("Col. Pet.") is incorporated in the State of Delaware. Mobil owned 49.94% of the capital stock of Col. Pet. Col. Pet. derived all of its income from sources outside the United States in the conduct of a petroleum business in Colombia with the exception of the year 1972. In 1972 Col. Pet. received investment income of $8,321 from United States sources which constituted approximately one-tenth of one percent of its gross income. Col. Pet. conducted no business in Vermont, owned or leased no property in Vermont, maintained no office in Vermont, had no employees in Vermont and derived no income from sources in Vermont.

(30) The South American Gulf Oil Company ("SAGOC") is incorporated in the State of Delaware. Mobil owned 50% of the capital stock of SAGOC. SAGOC derived all of its income from sources outside the United States in the conduct of a pipeline

transportation business in Colombia. SAGOC conducted no business in Vermont, owned or leased no property in Vermont, maintained no office in Vermont, had no employees in Vermont and derived no income from sources in Vermont.

(31) Mediterranean Refining Company ("Med. Ref.") is incorporated in the State of Delaware. Mobil owns 50% of the capital stock of Med. Ref. Med. Ref. had no gross income during the year 1970, the only year here in issue in which it paid dividends to Mobil. It conducted its business in Lebanon of purchasing, refining and selling petroleum and petroleum products. Med. Ref. conducted no business in Vermont, owned or leased no property in Vermont, maintained no office in Vermont, had no employees in Vermont and derived no income from sources in Vermont.

(32) Monrovia Port Management Company, Ltd. was a Delaware corporation during part of the year 1970. Mobil owned 12% of the capital stock of that company. The company derived all of its income from sources outside the United States in the operation of a port in Liberia. The company conducted no business in Vermont, owned or leased no property in Vermont, maintained no office in Vermont, had no employees in Vermont and derived no income from sources in Vermont.

(33) The income of each of the corporations referred to in paragraphs 26 to 32 inclusive was derived to a substantial extent from foreign commerce.

(34) Attached as Exhibit 16 is a schedule showing the interest income of Mobil added back by the assess-

ments in issue. All but a minor portion of said interest income is from certificates of deposit and bank time deposits. The deposits were made with, and the certificates issued by, financial institutions located in the United States and foreign countries; and none of these institutions were located in Vermont. The aforementioned securities and deposits were held, managed and controlled by Mobil from its offices outside Vermont. Payment of all interest in issue was received by Mobil outside Vermont and Mobil's control, use and disposition of such interest income were managed and directed from Mobil's offices outside Vermont.

(35) The book values of the capital stocks and the interest bearing obligations owned by Mobil at December 31 of each year were as follows:

1970	$1,434,287,357
1971	$1,436,624,335
1972	$1,450,156,099

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Dated:
November 8, 1973